



百信集团
PASHUN GROUP

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

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 574

Interim Report 2021

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Professor Xiao Kai (*Chairman*)
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Shen Shun

Mr. Yang Bo
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Chen Rongxin
(resigned on 23 February 2021)

NON-EXECUTIVE DIRECTORS

Mr. Zhang Xiongfeng

Mr. Hu Haisong (retired on 30 June 2021)

Mr. Wu Guohua (retired on 30 June 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Lei
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Ng Wai Tsan
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Chen Yongsheng
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Liu Liangzhong
(resigned on 1 February 2021)

AUTHORISED REPRESENTATIVES

Mr. Shen Shun

COMPANY SECRETARY

Nil

AUDIT COMMITTEE

Mr. Chen Yongsheng (*Chairman*)
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Cao Lei
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Ng Wai Tsan
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Liu Liangzhong (*Chairman*)
(resigned on 1 February 2021)

REMUNERATION COMMITTEE

Mr. Cao Lei (*Chairman*)
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Ng Wai Tsan
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Chen Yongsheng
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Liu Liangzhong (*Chairman*)
(resigned on 1 February 2021)

NOMINATION COMMITTEE

Professor Xiao Kai (*Chairman*)
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Cao Lei
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Ng Wai Tsan
(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Liu Liangzhong
(resigned on 1 February 2021)

CORPORATE GOVERNANCE COMMITTEE

Mr. Cao Lei (*Chairman*)

(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Ng Wai Tsan

(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Chen Yongsheng

(appointed on 22 February 2021
and retired on 30 June 2021)

Mr. Liu Liangzhong

(resigned on 1 February 2021)

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period	(6,847)	(8,823)
Other comprehensive (loss)/income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC" or "China")	<u>(5,061)</u>	<u>8,477</u>
Total comprehensive loss for the period	<u>(11,908)</u>	<u>(346)</u>
Total comprehensive (loss)/income for the period attributable to:		
Equity shareholders of the Company	(11,908)	(400)
Non-controlling interests	<u>-</u>	<u>54</u>
	<u>(11,908)</u>	<u>(346)</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	40,208	40,910
Right-of-use assets	11	3,696	4,188
Interests in associates		42,485	42,881
Other intangible assets		25,429	26,677
Property development project	12	185,797	185,797
Deferred tax assets		4,640	4,640
		<u>302,255</u>	<u>305,093</u>
CURRENT ASSETS			
Inventories		10,727	17,950
Trade and other receivables	13	95,962	81,980
Prepayments and deposits paid	14	88,147	82,548
Amounts due from related parties		85	85
Income tax recoverable		–	180
Pledged bank deposits	15	9,105	10,087
Cash and cash equivalents	15	4,050	5,262
		<u>208,076</u>	<u>198,092</u>
CURRENT LIABILITIES			
Trade and other payables	16	124,816	103,811
Bank and other borrowings		8,639	8,000
Amount due to a shareholder		542	550
Amounts due to associates		2	2
Amounts due to related parties		145	145
Corporate bonds payable	17	84,696	87,751
Income tax payable		1,303	–
		<u>220,143</u>	<u>200,259</u>
NET CURRENT LIABILITIES		<u>(12,067)</u>	<u>(2,167)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>290,188</u>	<u>302,926</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**At 30 June 2021*

	<i>Note</i>	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income – government grant		23,285	23,541
Lease liabilities		829	1,403
		24,114	24,944
NET ASSETS			
		266,074	277,982
CAPITAL AND RESERVES			
Share capital	18	1,216	1,216
Reserves		264,858	276,766
Total equity attributable to equity shareholders of the Company		266,074	277,982
Non-controlling interests		–	–
TOTAL EQUITY		266,074	277,982



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Investment revaluation RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2020	1,216	691,882	(9,386)	-	11,456	4,125	(28,150)	(393,161)	277,982	-	277,982
Loss for the period	-	-	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	-	(5,061)	-	-	(5,061)	-	(5,061)
Total comprehensive loss for the period	-	-	-	-	-	(5,061)	-	(6,847)	(11,908)	-	(11,908)
At 30 June 2021 (unaudited)	1,216	691,882	(9,386)	-	11,456	(936)	(28,150)	(400,008)	266,074	-	266,074
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
(Loss)/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 (loss)/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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

		Six months ended 30 June	
Note	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	
	202	26,297	
Net cash generated from operating activities	202	26,297	
Investing activities			
Disposal of financial asset at fair value through other comprehensive income	–	3,000	
Decrease in pledged bank deposits	981	9,893	
Other net cash (outflows)/inflows	(15)	6	
Net cash generated from investing activities	966	12,899	
Financing activities			
Drawn down of other loans	2,645	–	
Repayment of bank loans	(2,000)	–	
Corporate bonds repaid	(2,250)	–	
Other net cash (outflow)/inflow	(774)	3,253	
Net cash (used in)/generated from financing activities	(2,379)	3,253	
Net decrease in cash and cash equivalents	(1,211)	(10,145)	
Cash and cash equivalents at the beginning of the period	5,262	16,125	
Effect of changes in foreign exchange rates	(1)	(6)	
Cash and cash equivalents at the end of the period	4,050	5,974	
	15		



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 December 2020, except for the accounting policy changes that are expected to be reflected in the 2021 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 2.

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

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

- (i) With reference to the cash flow forecast prepared by the Group’s management for the twelve months ending 30 June 2022, the Group will be able to generate adequate cash flows from its continuing operations and to obtain sufficient fundings to repay the debts of the Group as and when they fall due in the foreseeable future.

1. BASIS OF PREPARATION *(Continued)*

- (ii) The Directors are considering various alternatives, including but not limited to obtaining new long term loans to be secured by pledge of the assets involved in the property development project, obtaining additional funds to finance the Group's working capital and the repayment of existing debts when they fall due.

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Pharmaceutical distribution	36,598	248,095
Self-operated retail pharmacies	–	–
Pharmaceutical manufacturing	11,628	10,184
	<u>48,226</u>	<u>258,279</u>

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

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 2021 and 2020. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2021 and 2020.

No analysis of the Group's assets and liabilities by operating segments was regularly provided to the chief operating decision makers for review during the six months ended 30 June 2021 and 2020 for the purposes of resource allocation and performance assessment.

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

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

4. OTHER INCOME AND GAINS AND OTHER LOSSES

(a) Other income and gains

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

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

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

(b) Other losses

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

5. FINANCE COSTS

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

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

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

Notes:

- (i) Cost of inventories sold for the six months ended 30 June 2021 includes staff costs and depreciation and amortisation expenses totalled RMB272,000 (six months ended 30 June 2020: RMB390,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	–	667
	<u>–</u>	<u>667</u>
	–	667
	<u>–</u>	<u>667</u>

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020 has been made in the condensed consolidated statement of profit or loss as the Group has no assessable profits arising in Hong Kong for both of the periods presented.
- (iv) The Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25%. No provision for PRC Enterprises Income Tax for the current period has been made in the condensed consolidated statement of profit or loss as the Group had no profit for the period which is assessable to such PRC income tax.

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

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

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

(b) Diluted loss per share

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

No diluted loss per share for the six months ended 30 June 2021 is presented as, except for aforementioned, there are no potential ordinary shares in issue during both of the periods presented.

10. 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 2021 amounted to RMB798,000 (six months ended 30 June 2020: RMB1,328,000).

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, 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. The Group did not enter into any new lease agreement during the current interim period.



12. PROPERTY DEVELOPMENT PROJECT

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 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 2021.

As at 30 June 2021, the Group had payments to a third party, Chengdu Yiming Investment Management Company Limited (“Chengdu Yiming”), amounted to approximately RMB185,797,000 (31 December 2020: 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.

On 9 March 2021, the subsidiary of the Company, Chengdu Yimiming and a PRC registered company “Zhongnan Fanhua Construction (Hubei) Co., Ltd.” (“Fanhua”) have signed an agreement for the new arrangement for the property development project.

Under this agreement, the subsidiary of the Company remains its 30% interest for the project, Chengdu Yimiming entrusts Fanhua to exercise the shareholders’ equity on behalf of Chengdu Yimiming to the end of the project. Therefore from the date of the agreement, Chengdu Yimiming no longer has the project shareholder rights corresponding to the transfer of equity and no longer fulfills the part of the shareholder’s obligations and Fanhua enjoys the shareholder rights of the project’s shareholding part and needs to perform the shareholder obligations.

* For identification purpose only

12. PROPERTY DEVELOPMENT PROJECT *(Continued)*

Fanhua will be responsible for financing the construction of the project, and Fanhua should prepare the construction funds according to the actual construction progress. At the date of the agreement, the expected further costs to complete the project is around RMB300 million and Fanhua's upfront investment of RMB205 million is used for the initial project construction fund, and the other funds are financed by the project itself.

The project is expected to be completed within 450 natural days after Fanhua participates to the project, and is expected to obtain a pre-sale permit before October 2021 to start pre-sales. Fanhua and the subsidiary of the Company will share the project sales profit at a ratio of 70:30.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Trade and commercial bills receivables <i>(note a)</i>	61,570	53,521
Bank bills receivables <i>(note b)</i>	1,737	1,427
Other receivables <i>(note c)</i>	32,655	27,032
	<u>95,962</u>	<u>81,980</u>



13. TRADE AND OTHER RECEIVABLES *(Continued)**Notes:***(a) Trade and commercial bills receivables**

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

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Within 1 month	5,482	3,837
1 to 3 months	9,007	8,236
4 to 6 months	8,112	29,469
Over 6 months	38,969	11,979
	61,570	53,521

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

(b) Bank bills receivables

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



13. TRADE AND OTHER RECEIVABLES (Continued)*Notes: (Continued)***(c) Other receivables**

An analysis of other receivables is as follows:

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

14. PREPAYMENTS AND DEPOSITS PAID

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Advance payments to suppliers (<i>note</i>)	68,520	71,679
Other deposits and prepayments	19,627	10,869
	88,147	82,548

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.

15. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Pledged bank deposits (<i>notes a, b and c</i>)	9,105	10,087
Cash and cash equivalents in the condensed consolidated statement of financial position		
– Cash at banks and on hand	<u>4,050</u>	<u>5,262</u>
	<u>13,155</u>	<u>15,349</u>

Notes:

- (a) Bank deposits amounting to RMB9,105,000 (31 December 2020: RMB10,087,000) have been pledged to banks for bills facilities of RMB18,211,000 (31 December 2020: RMB19,978,000) granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bills payables.
- (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 totalled RMB13,093,000 (31 December 2020: RMB5,199,000) are denominated in Renminbi. 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 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Trade payables (<i>note (i)</i>)	33,382	29,201
Bills payables	18,211	19,978
Lease liabilities	909	772
Salaries, wage and welfare payable	6,448	6,086
Contract liabilities (<i>note (ii)</i>)	17,757	12,822
Accrued corporate bond interests	15,563	10,286
Other payables	32,546	24,666
	<u>124,816</u>	<u>103,811</u>

Notes:

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

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

The credit term granted to the Group by its suppliers is 30 to 180 days (31 December 2020: 30 to 180 days).



16. 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 2021 RMB'000	At 31 December 2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year	142	1,578



17. CORPORATE BONDS PAYABLE

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Carrying amount of corporate bonds due in:		
– 2019	3,127	3,156
– 2020	19,900	22,183
– 2021	13,829	14,126
– 2022	2,763	2,789
– 2023	777	784
– 2024	29,254	29,527
– 2025	15,046	15,186
	84,696	87,751
Payable		
– Within one year	36,856	39,465
– In the second to fifth years	47,840	48,286
	84,696	87,751
Analysed for reporting purposes as:		
Current liability	84,696	87,751
Non-current liability	–	–
	84,696	87,751
Movements in corporate bonds payable are as follows:		
At beginning of the period/year	87,751	91,014
Interest recognised as finance costs (<i>note 5</i>)	3,310	8,394
Accrued interest reclassified and included in trade and other payables	(3,310)	(4,943)
Repayments during the period/year	(2,250)	(889)
Exchange realignment	(805)	(5,825)
At end of the period/year	84,696	87,751

17. CORPORATE BONDS PAYABLE *(Continued)*

At 30 June 2021, corporate bonds with principal amount of HK\$109,200,000 (31 December 2020: HK\$111,900,000) remained outstanding.

18. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorised:		
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	5,000,000	5,000
	Number of shares '000	Nominal value of shares HK\$'000
		Carrying amount RMB'000
Issued and fully paid:		
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	1,474,993	1,475 1,216



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 2021 and the year ended 31 December 2020.

Movements in the number of share options outstanding during the six months ended 30 June 2021 and the year ended 31 December 2020 and their exercise prices are as follows:

	Six months ended 30 June 2021 (unaudited)					Year ended 31 December 2020 (audited)				
	Weighted average exercise price HK\$	Number of share options			Total '000	Weighted average exercise price HK\$	Number of share options			Total '000
		Directors '000	Employees '000	Others '000			Directors '000	Employees '000	Others '000	
At beginning of the period/year	0.67	20,000	10,000	70,000	100,000	0.67	20,000	10,000	70,000	100,000
Lapsed during the year	-	-	-	-	-	-	-	-	-	-
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 2020: 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 3.9 years (31 December 2020: 4.4 years).

20. 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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	–	939
Post-employment benefits	–	4
	<hr/>	<hr/>
	–	943
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the six months ended 30 June 2021. For the self-operated retail pharmacies business, the Group continued to seek mergers and acquisitions opportunities in respect of established retail pharmacy chains in order to revitalize the business segment.

REVENUE

For the six months ended 30 June 2021, the Group recorded a total revenue of RMB48.2 million, representing a decrease of approximately 81.3% from RMB258.3 million for the corresponding period last year. Such decrease was primarily due to (i) the drop in revenue from the Group's pharmaceutical distribution to wholesalers due to vigorous competition; and (ii) the outbreak of the novel coronavirus (COVID-19) epidemic ("Epidemic") that has spread across China and other countries and it has adversely affected the business and economic activities of the Group.

COST OF SALES, GROSS MARGIN AND GROSS PROFIT MARGIN

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



SELLING AND DISTRIBUTION EXPENSES

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

OTHER INCOME AND GAINS

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

OTHER LOSSES

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



FINANCE COSTS

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

LOSS BEFORE TAX

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

INCOME TAX EXPENSE

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

LOSS FOR THE YEAR

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



OUTLOOK

With the Epidemic being under control in the PRC, the economy of the PRC is gradually recovering. The Group will continue to leverage on its solid foundation in the PRC and make good use of its existing resources and networks to capture the opportunities to expand to other business through various business development strategies, at the same time diversify its business risk to other investment segments and other countries. In 2019, with the acquisition of two companies which indirectly hold interest in certain units located in the building called “The Apple” which is a multi-storey building located in Melaka, Malaysia, the Group made its first step to explore and invest in the Malaysia property market. Due to the Epidemic and lock down in Malaysia, the construction of the properties were delayed and the time of completion of construction was uncertain and may delay to 2023. The Company currently intends to hold the properties for investment purpose to generate rental income for the Group and will engage a local professional property manager to manage the properties and the leasing business upon the completion of construction of the properties. The Company will further seek other similar opportunities to reduce the operation risk of the Group.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

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

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

As at 30 June 2021, the total number of issued ordinary shares of the Company was 1,474,992,908 shares (31 December 2020: 1,474,992,908 shares) (“Shares”). In 2018, the Company has granted to certain eligible persons share options (“Options”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 30 June 2021, 100,000,000 Options remained outstanding. Please refer to the announcements of the Company dated 7 September 2018 for details of the grant of the Options. No options were granted in during the six months ended 30 June 2021.



During 2016 to 2018, the Company issued unsecured corporate bonds with principal amount of HK\$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. As at 30 June 2021, twelve corporate bonds with aggregate principal amount of HK\$32.2 million was matured and the Company repaid a matured corporate bond with principal amount of HK\$2.7 million during the six months ended 30 June 2021.

As at 30 June 2021, interest payable on corporate bonds of approximately HK\$15.6 million was due and remained outstanding. Since the maturity dates of the corporate bonds and related interests, the Company and the holders of the corporate bonds have engaged in numerous rounds of negotiations to seek to resolve the issue amicably, including extension of the maturity date and the due date of the interest payments, and repayments of the principal and interests by installments.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group's long-term development. There were no changes in the Group's approach to capital management during the six months ended 30 June 2021.

CONTINGENT LIABILITIES

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

As at 30 June 2021, except as disclosed above, the Group did not have any significant contingent liabilities.

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 Renminbi and Hong Kong dollars. Apart from the above, most of the assets and transactions of the Group are dominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated from operations in Renminbi, thus the Group is not exposed to any significant foreign exchange risks.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2021, the Group did not make any other significant investments, acquisitions or disposals that would constitute a notifiable transaction under Chapter 14 of the Listing Rules.

HUMAN RESOURCES

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

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as disclosed below, during the six months ended 30 June 2021, the Company has complied with the code provisions set out in the CG Code.



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

With effect from 1 February 2021, Mr. Liu Liangzhong (“Mr. Liu”) has resigned as an independent non-executive Director, the chairman of each of the audit committee (“Audit Committee”) and the remuneration committee (“Remuneration Committee”), and a member of each of the nomination committee (“Nomination Committee”) and the corporate governance committee (“CG Committee”). Following the resignation of Mr. Liu on 1 February 2021, the Company had no independent non-executive Directors, no member of the Audit Committee, no member of the Nomination Committee and no member of the Remuneration Committee, and did not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who met the same requirements under Rule 3.10(2) of the Listing Rules.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Pursuant to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.10(A) of the Listing Rules, a listed issuer must appoint independent non-executive directors representing at least one-third of the board. Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Pursuant to Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Pursuant to code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Following the resignation of Mr. Liu, it fell below the minimum number of independent non-executive directors and members of audit committee requirement under Rules 3.10(1) and 3.21 of the Listing Rules and the number of the independent non-executive Directors fell below one-third of the Board as required under Rule 3.10(A) of the Listing Rules. The Board did not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who met the same requirements under Rule 3.10(2) of the Listing Rules. The Company did not have a Remuneration Committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules. The Company did not have a Nomination Committee which was chaired by the chairman of the Board or an independent non-executive Director and comprised a majority of independent non-executive Directors as required under code provision A.5.1 of the CG Code.

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

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

- (i) Mr. Hu Haisong retired as the non-executive Directors;
- (ii) Mr. Wu Guohua retired as the non-executive Directors;
- (iii) Professor Xiao Kai retired as the chairman of the Board and an executive Director and ceased to be the chairman of the Nomination Committee;
- (iv) Mr. Yang Bo retired as an executive Director;



- (v) Mr. Cao Lei retired as an independent non-executive Director and ceased to be the chairman of each of the Remuneration Committee and the CG Committee, and member of each of the Audit Committee and the Nomination Committee;
- (vi) Mr. Ng Wai Tsan retired as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the CG Committee; and
- (vii) Mr. Chen Yongsheng retired as an independent non-executive Director and ceased to be the chairman of the Audit Committee and a member of each of the Remuneration Committee and the CG Committee.

Following the retirement of the above Directors, the Company has no independent non-executive Directors, no member of the Audit Committee, no member of the Nomination Committee and no member of the Remuneration Committee. This falls below the minimum number of independent non-executive directors and members of audit committee requirement under Rules 3.10(1) and 3.21 of the Listing Rules and the number of the independent non-executive Directors falls below one-third of the Board as required under Rule 3.10(A) of the Listing Rules. The Company does not have a Remuneration Committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules; and a Nomination Committee which is chaired by the chairman of the Board or an independent non-executive Director and comprises a majority of independent non-executive Directors as required under code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. In addition, the Board does not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who meets the same requirements under Rule 3.10(2) of the Listing Rules. The Company is identifying suitable candidate(s) to fill the above vacancies. Further announcement will be made by the Company when the relevant appointment is made.

The Board currently comprises one executive Director and one non-executive Director.

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

AUDIT COMMITTEE

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

Pursuant to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. As at the date of this report, the Board does not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who meets the same requirements under Rule 3.10(2) of the Listing Rules. The Company is identifying suitable candidate(s) to fill the above vacancies. Further announcement will be made by the Company when the relevant appointment is made. In view of the above, the interim results of the Group for the six months ended 30 June 2021 have not been reviewed by the Audit Committee.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2021.



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 2021 are set out as follows:

Name	Date of grant	Vesting date	Number of share options					Outstanding as at 30 June 2021
			Outstanding as at 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Mr. Chen Rongxin (an executive Director and resigned on 23 February 2021)	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	-	-	10,000,000
Mr. Zhang Xiongfeng (a non-executive Director)	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	-	-	10,000,000
Employees in aggregate	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	-	-	10,000,000
Other eligible participates in aggregate	7 September 2018	7 September 2018	70,000,000 (Note 1)	-	-	-	-	70,000,000
Total			100,000,000	-	-	-	-	100,000,000

Notes:

1. 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 2021, 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. Shen Shun	Beneficial owner	3,500,000	0.24%
Mr. Chen Rongxin (resigned on 23 February 2021)	Beneficial owner	414,820	0.03%
Mr. Zhang Xiongfeng	Beneficial owner	34,814,000	2.36%

Note:

- The total number of Shares in issue as at 30 June 2021 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.

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 (Note 2) (resigned on 23 February 2021)	Beneficial owner	10,000,000 (Note 2)	0.68%
Mr. Zhang Xiongfeng (Note 3)	Beneficial owner	10,000,000 (Note 3)	0.68%

Notes:

1. The total number of Shares in issue as at 30 June 2021 (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 2021, 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 2021, 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 (Note 1)
Praise Treasure Limited	Beneficial owner	753,040,000	51.05%
Mr. Chen Yenfei	Interest of a controlled corporation	753,040,000	51.05%
	Beneficial owner	<u>13,560,000</u>	<u>0.92%</u>
		<u>766,600,000</u>	<u>51.97%</u>

(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)
Win Win Stable No. 3 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 2021 (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 an original chargee whose rights have been assigned to Win Win International Strategic Investment Funds SPC (for the account and on behalf of Win Win Stable No.1 Fund SP), 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 2021, 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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHANGE IN DIRECTORS' INFORMATION

Since the date of the annual report of the Company for the year ended 31 December 2020 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
Shen Shun
Executive Director

Hong Kong, 31 August 2021

