



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 2022



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Professor Xiao Kai (*Chairman*)

Mr. Yuan Hongbing

(appointed on 28 March 2023)

Mr. Feng Junzheng (*Chief Executive Officer*)

Mr. Shen Shun

(resigned on 26 October 2023)

NON-EXECUTIVE DIRECTORS

Mr. Zhang Tong

Mr. Chen Yunwei

Mr. Zhang Xiongfeng

(resigned on 16 March 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Lei

Ms. Li Yan (appointed on 10 March 2023)

Mr. Khor Khie Liem Alex

(appointed on 10 March 2023)

Mr. Ding Qing (resigned on 10 March 2023)

Ms. Luo Ke (resigned on 10 March 2023)

AUTHORISED REPRESENTATIVE

Professor Xiao Kai

Mr. Yuan Hongbing

(appointed on 30 October 2023)

Mr. Shen Shun

(resigned on 26 October 2023)

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva

(appointed on 1 October 2023)

Mr. So Wing Chun

(resigned on 1 October 2023)

AUDIT COMMITTEE

Ms. Li Yan (*Chairman*)

(appointed on 10 March 2023)

Mr. Cao Lei

Mr. Khor Khie Liem Alex

(appointed on 10 March 2023)

Ms. Luo Ke (resigned on 10 March 2023)

Mr. Ding Qing (resigned on 10 March 2023)

REMUNERATION COMMITTEE

Mr. Cao Lei (*Chairman*)

Ms. Li Yan (appointed on 10 March 2023)

Mr. Khor Khie Liem Alex

(appointed on 10 March 2023)

Ms. Luo Ke (resigned on 10 March 2023)

Mr. Ding Qing (resigned on 10 March 2023)

NOMINATION COMMITTEE

Mr. Khor Khie Liem Alex (*Chairman*)

(appointed on 28 March 2023)

Ms. Li Yan (appointed on 10 March 2023)

Mr. Chen Yunwei

(appointed on 28 March 2023)

Professor Xiao Kai

(resigned on 28 March 2023)

Mr. Cao Lei (resigned on 28 March 2023)

Ms. Luo Ke (resigned on 10 March 2023)

CORPORATE GOVERNANCE COMMITTEE

Mr. Cao Lei (*Chairman*)
Ms. Li Yan (appointed on 10 March 2023)
Mr. Khor Khie Liem Alex
(appointed on 10 March 2023)
Ms. Luo Ke (resigned on 10 March 2023)
Mr. Ding Qing (resigned on 10 March 2023)

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 3103-04, 31/F
New Trend Centre
104 King Fuk Street
San Po Kong, 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
17/F
Far East Finance Centre
16 Harcourt Road
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 2022 together with the comparative figures for the corresponding period in 2021. The Group’s interim results are unaudited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
Notes		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3(a)	33,389	48,226
Cost of sales		(26,291)	(41,933)
Gross profit		7,098	6,293
Other income and gains	4(a)	61	2,420
Other losses	4(b)	(1)	(10)
Selling and distribution expenses		(2,170)	(2,747)
General and administrative expenses		(5,503)	(9,048)
Finance costs	5	(4,120)	(3,755)
Loss before tax	6	(4,635)	(6,847)
Income tax expense	7	–	–
Loss for the period attributable to equity shareholders of the Company		(4,635)	(6,847)
		Six months ended 30 June	
Notes		2022 RMB cent (unaudited)	2021 RMB cent (unaudited)
Loss per share	9		
Basic		(0.31)	(0.46)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period	(4,635)	(6,847)
Other comprehensive expense 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")	(4,361)	(5,061)
Total comprehensive expense for the period attributable to equity shareholders of the Company	(8,996)	(11,908)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	37,738	38,180
Right-of-use assets	11	2,671	3,177
Other intangible assets		–	111
Property development project	12	74,000	74,000
		<u>114,409</u>	<u>115,468</u>
CURRENT ASSETS			
Inventories		6,598	8,346
Trade and other receivables	13	30,598	31,703
Prepayments and deposits paid		18,052	9,403
Amounts due from related parties		33	32
Cash and cash equivalents		3,406	2,272
		<u>58,687</u>	<u>51,756</u>
CURRENT LIABILITIES			
Trade and other payables	14	107,559	99,876
Bank borrowings		9,781	5,000
Amount due to a shareholder		944	933
Amounts due to related parties		593	568
Corporate bonds payable	15	78,057	76,583
Other borrowings		17,179	16,189
Income tax payable		1,417	1,433
		<u>215,530</u>	<u>200,582</u>
NET CURRENT LIABILITIES		<u>(156,843)</u>	<u>(148,826)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(42,434)</u>	<u>(33,358)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2022

	Note	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income – government grant		23,029	23,029
Deferred tax liability		1,741	1,741
Lease liabilities		294	374
		25,064	25,144
NET LIABILITIES		(67,498)	(58,502)
CAPITAL AND RESERVES			
Share capital	16	1,216	1,216
Reserves		(68,714)	(59,718)
Total equity attributable to equity shareholders of the Company		(67,498)	(58,502)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2022*

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2021	1,216	691,882	(9,386)	11,456	(1,958)	(28,150)	(723,562)	(58,502)
Loss for the period	-	-	-	-	-	-	(4,635)	(4,635)
Other comprehensive expense for the period								
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	(4,361)	-	-	(4,361)
Total comprehensive expense for the period	-	-	-	-	(4,361)	-	(4,635)	(8,996)
At 30 June 2022 (unaudited)	1,216	691,882	(9,386)	11,456	(6,319)	(28,150)	(728,197)	(67,498)
At 31 December 2020	1,216	691,882	(9,386)	11,456	4,125	(28,150)	(393,161)	277,982
Loss for the period	-	-	-	-	-	-	(6,847)	(6,847)
Other comprehensive expense for the period								
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	(5,061)	-	-	(5,061)
Total comprehensive expense for the period	-	-	-	-	(5,061)	-	(6,847)	(11,908)
At 30 June 2021 (unaudited)	1,216	691,882	(9,386)	11,456	(936)	(28,150)	(400,008)	266,074

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net cash (used in)/generated from operating activities	(3,233)	202
Investing activities		
Decrease in pledged bank deposits	–	981
Other net cash outflows	(335)	(15)
Net cash (used in)/generated from investing activities	(335)	966
Financing activities		
Drawn down of other loans	254	2,645
Drawn down of bank loans	4,459	–
Repayment of bank loans	–	(2,000)
Corporate bonds repaid	–	(2,250)
Other net cash outflow	–	(774)
Net cash generated from/(used in) financing activities	4,713	(2,379)
Net increase/(decrease) in cash and cash equivalents	1,145	(1,211)
Cash and cash equivalents at the beginning of the period	2,272	5,262
Effect of changes in foreign exchange rates	(11)	(1)
Cash and cash equivalents at the end of the period	3,406	4,050

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 2021, except for the accounting policy changes that are expected to be reflected in the 2022 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 net losses amounting to approximately RMB4,635,000 for the six months ended 30 June 2022 and the Group had net current liabilities and net liabilities amounting to approximately RMB156,843,000 and RMB67,498,000, respectively as at 30 June 2022. 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:

On 20 July 2023, the Company, through its legal advisors, made an ex parte application to the High Court of Hong Kong to apply for leave to convene a scheme meeting (the “Scheme Meeting”) for the purpose of considering and, if thought fit, approving the scheme of arrangement (the “Scheme of Arrangement”) and related directions.

1. BASIS OF PREPARATION *(Continued)*

The Scheme Meeting was held on 18 October 2023. During the Scheme Meeting, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors present and voting in person or by proxy at the Scheme Meeting, have voted in favour of the Scheme of Arrangement. The High Court of Hong Kong sanctioned the Scheme of Arrangement on 1 November 2023 (the “Sanction Hearing”). It is expected that the Scheme of Arrangement will take effect shortly after the Sanction Hearing.

The Scheme of Arrangement is, in substance, a debt rescheduling arrangement. While the direct impact on the Company’s overall financial position is expected to be minimal, a substantial part of the liabilities which are classified as current liabilities will be classified as non-current liabilities as a result of the Scheme of Arrangement.

The management of the Company is of the view that Group will be able to continue to operate as a going concern. Based on the indication of support received for the Scheme of Arrangement, the Company is optimistic about the prospects of the implementation of the Scheme of Arrangement. Further, the Company has also returned to profit position in the six months ended 30 June 2023.

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, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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 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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Pharmaceutical distribution	22,530	36,598
Pharmaceutical manufacturing	10,859	11,628
	<u>33,389</u>	<u>48,226</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.
- 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 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 2022 and 2021. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2022 and 2021.

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 2022 and 2021 for the purposes of resource allocation and performance assessment.

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

3. REVENUE AND SEGMENT REPORTING (Continued)**(b) Segment reporting (Continued)***(i) Segment revenue and results*

Segment information regarding the Group's revenue and results as provided to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

	Six months ended 30 June 2022 (unaudited)						
	Pharmaceutical distribution						
	Sales to wholesalers RMB'000	Sales to franchise retail pharmacy chain stores RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Others RMB'000	Sub-total RMB'000	Pharmaceutical manufacturing RMB'000	Total RMB'000
Revenue from external customers	2,167	6,675	13,632	56	22,530	10,859	33,389
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	2,167	6,675	13,632	56	22,530	10,859	33,389
Reportable segment profit	50	619	2,669	10	3,348	3,750	7,098
Other segment information							
Depreciation and amortisation	-	-	-	-	-	27	27

	Six months ended 30 June 2021 (unaudited)						
	Pharmaceutical distribution						
	Sales to wholesalers RMB'000	Sales to franchise retail pharmacy chain stores RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Others RMB'000	Sub-total RMB'000	Pharmaceutical manufacturing RMB'000	Total RMB'000
Revenue from external customers	3,796	15,266	17,358	178	36,598	11,628	48,226
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	3,796	15,266	17,358	178	36,598	11,628	48,226
Reportable segment profit	20	681	1,455	14	2,170	4,123	6,293
Other segment information							
Depreciation and amortisation	-	-	-	-	-	48	48

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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Reportable segment revenue	33,389	48,226
Elimination of inter-segment revenue	—	—
	<hr/>	<hr/>
Consolidated revenue <i>(note 3(a))</i>	33,389	48,226
	<hr/>	<hr/>
Profit		
Reportable segment profit	7,098	6,293
Elimination of inter-segment loss	—	—
	<hr/>	<hr/>
Gross profit derived from external customers	7,098	6,293
Other income and gains	61	2,420
Other losses	(1)	(10)
Selling and distribution expenses	(2,170)	(2,747)
General and administrative expenses	(5,503)	(9,048)
Finance costs	(4,120)	(3,755)
	<hr/>	<hr/>
Consolidated loss before tax	(4,635)	(6,847)
	<hr/>	<hr/>
Other items		
Depreciation and amortisation		
Reportable segment total	27	48
Unallocated total	1,367	2,491
	<hr/>	<hr/>
Consolidated total	1,394	2,539
	<hr/>	<hr/>

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	3	81
Deferred income – government grant	–	256
Royalty fee income	–	2,000
Others	58	83
	<hr/>	<hr/>
	61	2,420
	<hr/>	<hr/>

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

(b) Other losses

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss on disposal of property, plant and equipment	–	3
Others	1	7
	<hr/>	<hr/>
	1	10
	<hr/>	<hr/>

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	322	288
Corporate bonds payable	2,556	3,310
Other borrowings	1,216	108
Lease liabilities	26	49
	<hr/>	<hr/>
	4,120	3,755
	<hr/>	<hr/>

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold (<i>note i</i>)	1,748	7,233
Salaries, wages and other benefits	3,057	4,535
Contributions to defined contribution retirement plans	369	330
	<hr/>	<hr/>
Total staff costs (<i>note ii</i>)	3,426	4,865
Amortisation of other intangible assets	111	1,248
Depreciation of property, plant and equipment	777	798
Depreciation of right-of-use assets	506	493
Auditors' remuneration	–	–
	<hr/>	<hr/>

Notes:

- (i) Cost of inventories sold for the six months ended 30 June 2022 includes staff costs and depreciation and amortisation expenses totalled RMB66,000 (six months ended 30 June 2021: RMB272,000) 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	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	–	–
	<u>–</u>	<u>–</u>
	–	–
	<u>–</u>	<u>–</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 2022 and 2021 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.

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

9. LOSS PER SHARE**(a) Basic loss per share**

The calculation of basic loss per share for the six months ended 30 June 2022 is based on the loss attributable to equity shareholders of the Company of RMB4,635,000 (six months ended 30 June 2021: RMB6,847,000) and the weighted average of 1,474,993,000 ordinary shares (six months ended 30 June 2021: 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 2022 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

Depreciation of property, plant and equipment for the six months ended 30 June 2022 amounted to RMB777,000 (six months ended 30 June 2021: RMB798,000).

11. RIGHT-OF-USE ASSETS

The Group did not enter into any new lease agreement during the current interim period.

12. PROPERTY DEVELOPMENT PROJECT

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Property development project in the PRC, at cost	185,797	185,797
Less: Impairment loss recognised	111,797	111,797
	74,000	74,000

There were no movements of the carrying amount of the property development project for the six months ended 30 June 2022.

As at 30 June 2022, 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.

During the prior year ended 31 December 2019, the negotiation with the PRC local government regarding the land premium and other terms for the change of land usage of the land for the property development project had been finalized. The licence for the construction was obtained and the construction commenced afterwards.

On 9 March 2021, the subsidiary of the Company, Chengdu Yiming 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.

* For identification purpose only

12. PROPERTY DEVELOPMENT PROJECT *(Continued)*

Under this agreement, the subsidiary of the Company remains its 30% interest for the project, Chengdu Yiming entrusts Fanhua to exercise the shareholders' equity on behalf of Chengdu Yiming to the end of the project. Therefore, from the date of the agreement, Chengdu Yiming 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.

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.

As there is no progression for the project as stated in the agreement up to period end, thus, subsequent to the reporting period, the agreement dated 9 March 2021 as stated above was cancelled by Chengdu Yiming, Fanhua and the subsidiary of the Company on 10 August 2022.

During the year ended 31 December 2021, management of the Group conducted impairment assessment of value on the land by an independent firm of professional valuers with recognized qualifications and experiences, B. I. Appraisals Limited ("B.I.") based on market-based approach methodology for the land and impairment loss amounted to RMB111,797,000 was recognised on profit or loss during the year ended 31 December 2021. There were no movements of the impairment loss of the property development project for the six months ended 30 June 2022.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade and commercial bills receivables (<i>note a</i>)	18,737	15,413
Bank bills receivables (<i>note b</i>)	703	677
Other receivables (<i>note c</i>)	11,158	15,613
	<u>30,598</u>	<u>31,703</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 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 1 month	4,676	5,322
1 to 3 months	7,042	6,037
4 to 6 months	7,019	4,054
Over 6 months	-	-
	<u>18,737</u>	<u>15,413</u>

An average credit period of 30 to 180 days is granted by the Group to its customers (31 December 2021: 30 to 180 days).

(b) Bank bills receivables

The bank bills receivables are aged within 180 days (31 December 2021: 180 days).

14. TRADE AND OTHER PAYABLES

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade payables (note (i))	29,707	27,878
Bills payables	–	3,470
Lease liabilities	773	865
Salaries, wage and welfare payable	9,459	8,033
Contract liabilities	24,372	21,295
Accrued corporate bond interests	16,419	13,863
Accrued interests for other borrowings	2,659	1,443
Other payables	24,170	23,029
	<u>107,559</u>	<u>99,876</u>

Notes:

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 1 month	4,001	4,587
1 to 3 months	5,067	4,610
Over 3 months	20,639	18,681
	<u>29,707</u>	<u>27,878</u>

The credit term granted to the Group by its suppliers is 30 to 180 days (31 December 2021: 30 to 180 days).

15. CORPORATE BONDS PAYABLE

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Carrying amount of corporate bonds due in:		
– 2019	2,382	2,337
– 2020	11,393	11,178
– 2021	14,736	14,458
– 2022	2,889	2,834
– 2023	804	789
– 2024	30,325	29,752
– 2025	15,528	15,235
	78,057	76,583
Payable		
– Within one year	78,057	76,583
– In the second to fifth years	–	–
	78,057	76,583
Analysed for reporting purposes as:		
Current liability	78,057	76,583
Non-current liability	–	–
	78,057	76,583
Movements in corporate bonds payable are as follows:		
At beginning of the period/year	76,583	87,751
Interest recognised as finance costs (<i>note 5</i>)	2,556	6,263
Accrued interest reclassified and included in trade and other payables	(2,556)	(3,808)
Repayments during the period/year	–	(11,657)
Exchange realignment	1,474	(1,966)
At end of the period/year	78,057	76,583

15. CORPORATE BONDS PAYABLE *(Continued)*

At 30 June 2022, corporate bonds with principal amount of HK\$98,200,000 (31 December 2021: HK\$98,200,000) remained outstanding.

16. SHARE CAPITAL

	Number of shares		HK\$'000
	'000		
Authorised:			
At 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	5,000,000		5,000
	<hr/>		<hr/>
	Number of shares	Nominal value of shares	Carrying amount
	'000	HK\$'000	RMB'000
Issued and fully paid:			
At 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	1,474,993	1,475	1,216
	<hr/>	<hr/>	<hr/>

17. CONTINGENT LIABILITIES

As at 31 December 2022 and 31 December 2021, except as disclosed below, there were no legal claims against the Group at that date.

- (a) 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 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 did not fully comply with the Settlement Agreement and the Petitioner applied to the High Court to bring forward the hearing of the Petition. Subsequent to the year ended 31 December 2021, the Petition was dismissed by the High Court at the hearing on 17 January 2022.
- (b) A petition (the “Petition”) was filed on 30 May 2022 by Mr. Wu Yuehua (the “Petitioner”) against the Company in the High Court for an order that the Company be wound up by the High Court. The Petition was filed against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$2,390,000 in respect of the bond issued to the Petitioner by the Company.

On 6 March 2023, the Petition was heard at the High Court before a Judge, the Petition filed by the Petitioner was struck out and the supporting creditor, Opera Enterprise Limited (“Substituting Petitioner”), was granted to substitute the Petitioner. An amended petition (“Amended Petition”) was filed by the Substituting Petitioner against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of approximately HK\$842,000 in respect of the bond issued to the Substituting Petitioner by the Company.

The total outstanding sum claimed by the Petitioner has been included in the corporate bonds payable as at 31 December 2022 and 31 December 2021 and no significant contingent liabilities was expected by the Group.

17. CONTINGENT LIABILITIES *(Continued)*

- (c) A petition (the “Petition”) was filed on 6 March 2023 by Mr. Zhang Min (the “Petitioner”) against the Company in the Court of First Instance (the “First Instance Court”) of Hong Kong for an order that the Company be wound up by the First Instance Court. The Petition was filed against the Company for the Company’s failure to settle the principal sum of HK\$4,000,000 and interest accrued in the total amount of approximately HK\$4,730,000 in respect of the bond. Subsequent to the end of the reporting period, the Petition was dismissed by the First Instance Court on 28 June 2023.

The total outstanding sum claimed by the Petitioner has been included in the corporate bonds payable as at 31 December 2022 and 31 December 2021 and no significant contingent liabilities was expected by the Group.

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 2022.

REVENUE

For the six months ended 30 June 2022, the Group recorded a total revenue of RMB33.4 million, representing a decrease of approximately 30.8% from RMB48.2 million for the corresponding period last year. Such decrease was primarily due to (i) the decrease in the amount of products available for sales as the Group's purchasing capabilities were limited by the liquidity issue faced by the Group during the period; and (ii) the outbreak of the novel coronavirus (COVID-19) epidemic ("Epidemic") that has spread across China and worldwide, which has adversely affected the business and economic activities of the Group.

COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's cost of sales decreased by approximately 37.3% from RMB41.9 million for the six months ended 30 June 2021 to RMB26.3 million for the six months ended 30 June 2022. Such decrease in cost of sales was in line with the decrease in revenue during the period under review.

The Group's gross profit increased by approximately 12.8% from RMB6.3 million for the six months ended 30 June 2021 to RMB7.1 million for the six months ended 30 June 2022. The Group's gross profit margin increased from 13.0% for the six months ended 30 June 2021 to 21.3% for the six months ended 30 June 2022. Such improvement was primarily attributable to the shift of focus of its pharmaceutical distribution business from wholesaler customers to hospital customers where the Group could sell at higher margin.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses decreased by approximately 21.0% from RMB2.7 million for the six months ended 30 June 2021 to RMB2.2 million for the six months ended 30 June 2022. The decrease was in line with the decrease in the business volume of the Group under the Epidemic.

GENERAL AND ADMINISTRATIVE EXPENSES

The Group's general and administrative expenses decreased by approximately 39.2% from RMB9.0 million for the six months ended 30 June 2021 to RMB5.5 million for the six months ended 30 June 2022. The decrease was primarily attributable to the decrease in the Group's workforce and stringent cost control measures under the Epidemic.

OTHER INCOME AND GAINS

Other income and gains decreased from RMB2.4 million for the six months ended 30 June 2021 to RMB61,000 for the six months ended 30 June 2022. The decrease in other income and gains was due to the royalty income from patents of RMB2 million recognised during the six months ended 30 June 2021. The patents in other intangible assets were fully impaired as at 31 December 2021 and no such royalty income was recognised during the six months ended 30 June 2022.

FINANCE COSTS

Finance costs increased by approximately 9.7% from RMB3.8 million for the six months ended 30 June 2021 to RMB4.1 million for the six months ended 30 June 2022. Such increase in finance costs of the Group was mainly due to the increase in the outstanding balances of corporate bonds payables and other borrowings of the Group.

LOSS FOR THE PERIOD

As a result of the foregoing, the Group's loss for the period decreased by approximately 32.3% from RMB6.8 million for the six months ended 30 June 2021 to RMB4.6 million for the six months ended 30 June 2022.

OUTLOOK

With the outbreak of Epidemic being continued in 2022, the Group had been cautious in the development of business. The Group had been closely monitoring the status of Epidemic, observing the latest government policies and taking prompt actions to minimize the impact of Epidemic on the Group's operation of its production facilities.

The management of the Group had been closely assessing the development of the situation. The Group will continue to leverage on its solid foundation in the PRC such that the Group's operation could be returned to normal once the Epidemic is being contained.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents and pledged bank deposits of RMB3.4 million as at 30 June 2022 as compared to RMB2.3 million as at 31 December 2021.

The Group recorded net current liabilities of RMB156.8 million and RMB148.8 million as at 30 June 2022 and 31 December 2021 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.27 as at 30 June 2022, as compared to 0.26 as at 31 December 2021. The net current liabilities of the Group as at 30 June 2022 has arisen from (i) the increase in trade and other payables; (ii) the increase in corporate bonds payable; and (iii) the increase in bank borrowings in the period under review.

As at 30 June 2022, the total amount of bank borrowings was RMB9.8 million, as compared to RMB5.0 million as at 31 December 2021. As at 30 June 2022, the total amounts of other borrowings was RMB17.2 million (31 December 2021: RMB16.2 million).

As at 30 June 2022, the total number of issued ordinary shares of the Company ("Shares") was 1,474,992,908 Shares (31 December 2021: 1,474,992,908 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 2022, 100,000,000 Options remained outstanding. Please refer to the announcement 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 2022.

During the period between 2016 and 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 2022, 15 corporate bonds with aggregate principal amount of HK\$47.2 million matured and the Company has outstanding unpaid principal amount of HK\$31.6 million of matured corporate bonds as at 30 June 2022.

As at 30 June 2022, interest payable on corporate bonds of approximately HK\$16.4 million was due and remained outstanding. Since the maturity dates of bonds principals 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 were no changes in the Group's approach to capital management during the six months ended 30 June 2022.

CONTINGENT LIABILITIES

A petition (the "2020 Petition") was filed on 16 November 2020 by Ms. Feng Lihua (the "2020 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 High Court. The 2020 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 2020 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 2020 Petitioner and the Company reached settlement agreement ("Settlement Agreement") and the 2020 Petition is expected to be withdrawn by the 2020 Petitioner upon the Company's full payment of the outstanding debt owed to the 2020 Petitioner. However, the Company did not fully comply with the Settlement Agreement and the 2020 Petitioner applied to the High Court to bring forward the hearing of the 2020 Petition. The 2020 Petition was dismissed by the High Court at the hearing on 17 January 2022.

Please refer to the announcements of the Company dated 17 December 2020, 6 January 2021, 18 February 2021, 4 May 2021, 9 July 2021, 2 November 2021, 16 December 2021 and 17 January 2022 for details.

A petition (the “2022 Petition”) was filed on 30 May 2022 by Mr. Wu Yuehua (the “2022 Petitioner”) against the Company in the High Court for an order that the Company be wound up by the High Court. The 2022 Petition was filed against the Company for the Company’s failure to settle the principal sum and interest payment with total sum of HK\$2,390,000 in respect of the bond issued to the 2022 Petitioner by the Company. On 6 March 2023, the 2022 Petition filed by the 2022 Petitioner was struck out and the supporting creditor, Opera Enterprise Limited (“Opera”) was granted leave to substitute the 2022 Petitioner. An amended petition (“Amended Petition”) was filed by Opera against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$842,706.75 in respect of the bond issued to Opera by the Company. Further, on 24 July 2023, the Amended Petition was struck out and the supporting creditor, Zhu Shunyun (“Substituting Petitioner”), was granted leave to substitute the 2022 Petitioner. A re-re-amended petition (“Re-Re-Amended Petition”) was filed by the Substituting Petitioner against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$2,573,424.66 in respect of the bond issued and held by the Substituting Petitioner by the Company. The hearing of the Re-Re-Amended Petition is adjourned to 20 November 2023. As at the date of this report, the Company was in negotiation with the Substituting Petitioner for the withdrawal of the said petition. Nevertheless, the Scheme of Arrangement was sanctioned by the High Court on 1 November 2023. The High Court of Hong Kong has indicated that, on the basis of the undertaking given by the Company, the court considered that there is sufficient assurance that the Scheme of Arrangement will proceed with the result that all creditors will receive various payments provided for under the Scheme of Arrangement and will be able to resolve insolvency status and there is no further basis for the Substituting Petitioner to maintain that the Company is insolvent and should be wound up by the court. The High Court requested the Substituting Petitioner to act reasonably and indicate her consent to the dismissal of the Re-Re-Amended Petition so as to dispense with the parties’ attendance and the court will be able to pronounce the order dismissing the Re-Re-Amended Petition without either hearing the Company or the Substituting Petitioner. This is a matter that should be dealt with by way of consent summons.

As at the date of this report, the Company was in negotiation with the Substituting Petitioner for an amicable settlement and the withdrawal of the said petition.

Please refer to the announcements of the Company dated 31 May 2022, 10 August 2022, 28 September 2022, 16 January 2023, 6 March 2023, 24 April 2023, 15 May 2023, 28 June 2023, 25 July 2023, 11 August 2023, 8 September 2023, 15 September 2023, 25 September 2023, 18 October 2023 and 1 November 2023 for details.

As at 30 June 2022, except as disclosed above, the Group did not have any significant contingent liabilities.

POSSIBLE TRANSACTION WHICH MAY OR MAY NOT INVOLVE CHANGE OF CONTROLLING SHAREHOLDER OF THE COMPANY

As disclosed in the Company's announcement dated 30 September 2019, the Company has been informed by Praise Treasure Limited ("PTL"), a controlling shareholder of the Company that 753,040,000 Shares (the "2019 Charged Shares") were pledged by PTL 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 PTL. On 27 September 2019, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited ("2019 Receivers") were appointed as joint and several receivers and managers over the 2019 Charged Shares. The 2019 Charged Shares represent approximately 51.05% of the issued share capital of the Company as at the date of this report.

Any proposed change of the ownership of the 2019 Charged Shares may or may not involve a change of the controlling shareholder of the Company (the "Possible Transaction"). On 11 January 2022, the Company received a letter from the 2019 Receivers that the 2019 Receivers have been released from their appointment and ceased to act as joint and several receivers and managers over the 2019 Charged Shares with effect from 10 January 2022. Accordingly, the Possible Transaction will not proceed. Details of the Possible Transaction are set out in the Company's announcements dated 30 September 2019, 3 October 2019, 1 November 2019, 2 December 2019, 2 January 2020, 3 February 2020, 3 March 2020, 19 March 2020, 3 April 2020, 4 May 2020, 4 June 2020, 6 July 2020, 6 August 2020, 7 September 2020, 7 October 2020, 9 November 2020, 9 December 2020, 11 January 2021, 11 February 2021, 11 March 2021, 12 April 2021, 12 May 2021, 15 June 2021, 15 July 2021, 16 August 2021, 16 September 2021, 18 October 2021, 18 November 2021, 20 December 2021 and 11 January 2022.

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 denominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated from operations in Renminbi. Therefore, the Group is not exposed to any significant foreign exchange risks.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2022, the Group did not make any significant investments, acquisitions or disposals that was required to be disclosed under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

HUMAN RESOURCES

As at 30 June 2022, the Group had a total of 94 (31 December 2021: 95) staff, primarily in the PRC. The total staff cost was RMB3.4 million (six months ended 30 June 2021: RMB4.9 million) for the six months ended 30 June 2022.

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 its corporate development needs.

OTHER INFORMATION

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 as set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 to the Listing Rules which was effective during the period under review as its own code of corporate governance. Save as disclosed below, during the six months ended 30 June 2022, the Company has complied with the code provisions set out in the CG Code.

Under the code provision C.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Upon the expiry of previous directors and officers liability insurance on 18 June 2021, the Company did not arrange any new insurance cover in respect of potential legal actions against its Directors during the six months ended 30 June 2022. The management of the Group believe that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual lawsuits against the Directors is remote. Up to the date of this report, no permitted indemnity provision was being in force for the benefit of any of the Directors or senior management.

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

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Cao Lei, Ms. Li Yan and Mr. Khor Khie Liem Alex. The chairman of the Audit Committee is Ms. Li Yan. 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 statements for the six months ended 30 June 2022.

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 as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions ("Model Code"). Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code for the six months ended 30 June 2022.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "Share Option 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 Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 26 May 2015.

Subject to the requirements of the Listing Rules, eligible participants of the Share Option 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 Share Option 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. During the period under review, no share options was granted, exercised, lapsed or cancelled under the Share Option Scheme. As at 30 June 2022, the total number of securities available for issue pursuant to the options granted under the Share Option Scheme was 100,000,000 Shares, representing in aggregate approximately 6.78% of the Company’s issued share capital as at the date of this interim report. As at 1 January 2022 and 30 June 2022, the total number of Shares in respect of which options available for grant under the Share Option Scheme were 47,499,290 Shares, representing in aggregate approximately 3.22% 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 grant options beyond the 10% limit to the Eligible Persons specifically identified by the Board.

The maximum number of Shares issued and to be issued upon the exercise of options granted under the Share Option 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 one month 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.

Subject to the requirements of the Listing Rules, 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 Share Option 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 Share Option Scheme during the six months ended 30 June 2022 are set out as follows:

Name	Date of grant	Vesting date	Number of share options					Outstanding as at 30 June 2022
			Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Mr. Chen Rongxin (a former executive Director)	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 participants in aggregate	7 September 2018	7 September 2018	70,000,000 (Note 1)	-	-	-	-	70,000,000
Total			100,000,000	-	-	-	-	100,000,000

Note:

- 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\$1.0 from each of the grantees of these options upon acceptance of the options granted.

From 1 January 2023, the Company will rely on the transitional arrangements provided by the Stock Exchange for share schemes should it decide to grant any share options. The Company will amend the terms of the Share Option Scheme or consider to adopt a new share option scheme in compliance with the new Chapter 17 of the Listing Rules as and when appropriate.

Save and except the Share Option Scheme, the Company did not have any other share scheme during the six months ended 30 June 2022.

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 2022, 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. Zhang Xiongfeng	Beneficial owner	34,814,000	2.36%

Note:

1. The total number of Shares in issue as at 30 June 2022 (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 <i>(Note 1)</i>
Mr. Zhang Xiongfeng <i>(Note 2)</i>	Beneficial owner	10,000,000 <i>(Note 2)</i>	0.68%

Notes:

1. The total number of Shares in issue as at 30 June 2022 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.
2. 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 Share Option Scheme and which 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 2022, 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 2022, 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%
Mr. Chen Yenfei	Interest of a controlled corporation	753,040,000	51.05%
	Beneficial owner	13,560,000	0.92%
		<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%

Note:

1. The total number of Shares in issue as at 30 June 2022 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 2021 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.

EVENTS AFTER THE REPORTING PERIOD

(1) Restructuring and Scheme of Arrangement

Since 2020, various winding-up petitions were presented against the Company. As at the date of this report, the Re-Re-Amended Petition remains subsisting. The Re-Re-Amended Petition was filed by the Substituting Petitioner against the Company for the Company's failure to settle the principal sum and interest payment with total amount of HK\$2,573,424.66 in respect of the bond issued to the 2022 Petitioner by the Company. The hearing of the Re-Re-Amended Petition is adjourned to 20 November 2023.

In or around early June 2023, in view of the winding-up petitions, the Company contemplates a restructuring of its overall indebtedness position in order to address the liquidity issue faced by the Company.

On 20 July 2023, the Company, through its legal advisors, made an ex parte application to the High Court to apply for leave to convene a scheme meeting (the "Scheme Meeting") for the purpose of considering and, if thought fit, approving the scheme of arrangement (the "Scheme of Arrangement") and related directions.

The Scheme Meeting was held on 18 October 2023. During the Scheme Meeting, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors present and voting in person or by proxy at the Scheme Meeting, have voted in favour of the Scheme of Arrangement. The High Court of Hong Kong sanctioned the Scheme of Arrangement on 1 November 2023.

For the Re-Re-Amended Petition, the High Court of Hong Kong has indicated that, on the basis of the undertaking given by the Company, the court considered that there is sufficient assurance that the Scheme of Arrangement will proceed with the result that all creditors will receive various payments provided for under the Scheme of Arrangement and will be able to resolve insolvency status and there is no further basis for the Substituting Petitioner to maintain that the Company is insolvent and should be wound up by the court. The High Court of Hong Kong requested the Substituting Petitioner to act reasonably and indicate her consent to the dismissal of the Re-Re-Amended Petition so as to dispense with the parties' attendance and the court will be able to pronounce the order dismissing the Re-Re-Amended Petition without either hearing the Company or the Substituting Petitioner. This is a matter that should be dealt with by way of consent summons.

As at the date of this report, the Company was in negotiation with the Substituting Petitioner for an amicable settlement and the withdrawal of the said petition.

For details and progress of the restructuring and the Scheme of Arrangement, please refer to the announcements of the Company dated 25 July 2023, 11 August 2023, 8 September 2023, 15 September 2023, 25 September 2023, 18 October 2023 and 1 November 2023.

(2) Establishment of Independent Investigation Committee

On 12 August 2022, the Company received a resumption guidance letter (the "Resumption Guidance"), pursuant to which the Stock Exchange requires the Company to, inter alia, (i) conduct an appropriate independent forensic investigation (the "Investigation") into two acquisitions (the "Acquisitions") (including the two side agreements), the termination thereof and the other related matters raised by the Company auditors, announce the findings and take appropriate remedial actions and (ii) conduct an independent internal control review (the "Internal Control Review") and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules.

As disclosed in the announcement of the Company dated 12 May 2023, a report on the Internal Control Review and the report on the Investigation were completed. On 17 August 2023, the Board has resolved to establish an independent investigation committee (the "Committee"), initially comprising three independent non-executive Directors, namely Mr. Cao Lei, Ms. Li Yan and Mr. Khor Khie Liem Alex, for the purpose of, among other things, conducting a comprehensive forensic investigation (the "Forensic Investigation") into the Acquisitions; reporting and making recommendations to the Board on appropriate actions to be taken.

As disclosed in the announcement of the Company dated 26 October 2023, the Committee and the Board have reviewed the forensic investigation report (“Forensic Investigation Report”) and adopted the findings of the Forensic Investigation. The Board was of the view that the issues identified in the Forensic Investigation Report do not affect the business operation of the Group, and that with the proposed internal control measures, the Company would be able to monitor and control the risks of investments in the future.

(3) Possible transaction pursuant to Rule 3.7 of the Takeovers Code

As disclosed in the Company’s announcement dated 3 August 2022, the Board has been informed of the appointment of joint and several receivers and managers of the ordinary shares of HK\$0.001 each in the Shares held by PTL, a controlling shareholder of the Company.

As informed by PTL, 753,040,000 Shares (the “Charged Shares”) were pledged by PTL in favour of the 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. 3 Fund SP (the “Chargee”) to secure certain indebtedness of PTL, and on 27 July 2022, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited (the “Receivers”) were appointed as joint and several receivers and managers over the Charged Shares, which represented approximately 51.05% of the issued share capital of the Company. For the purpose of the Code on Takeovers and Mergers (the “Takeovers Code”), the offer period commenced on 3 August 2022.

As announced by the Company on 8 March 2023, the Board has been advised by PTL that PTL was still in negotiations with the Chargee regarding settlement of the outstanding indebtedness owed by PTL to the Chargee. After making appropriate enquiries with the Receivers, the Receivers informed the Board that they have not identified a potential purchaser for the Charged Shares. As such, the Company considered that a bona fide offer was not imminent. The offer period under Rule 26.1 of the Takeovers Code was closed on 8 March 2023.

Please refer to the announcements of the Company dated 3 August 2022, 5 September 2022, 5 October 2022, 7 November 2022, 7 December 2022, 9 January 2023, 9 February 2023 and 8 March 2023 for details.

Save as disclosed above and in the paragraph headed “Contingent Liabilities” in the Management Discussion and Analysis section of this report, the Board is not aware of any significant events requiring disclosure that has taken place subsequent to 30 June 2022 and up to the date of this report.

On behalf of the Board

Pa Shun International Holdings Limited

Professor Xiao Kai

Chairman and Executive Director

Hong Kong, 2 November 2023