



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

2023

INTERIM REPORT



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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 2023 together with the comparative figures for the corresponding period in 2022. The Group’s interim results are unaudited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
<i>Notes</i>		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3(a)	82,832	33,389
Cost of sales		(62,720)	(26,291)
Gross profit		20,112	7,098
Other income and gains	4(a)	1,829	61
Other losses	4(b)	–	(1)
Selling and distribution expenses		(4,503)	(2,170)
General and administrative expenses		(7,386)	(5,503)
Finance costs	5	(5,471)	(4,120)
Profit/(loss) before tax	6	4,581	(4,635)
Income tax expense	7	(64)	–
Profit/(loss) for the period attributable to equity shareholders of the Company		4,517	(4,635)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit/(loss) for the period	4,517	(4,635)
Other comprehensive income/(loss) 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")	6,209	(4,361)
Total comprehensive income/(loss) for the period attributable to equity shareholders of the Company	10,726	(8,996)

	Six months ended 30 June	
	2023	2022
	RMB cent	RMB cent
	(unaudited)	(unaudited)
Profit/(loss) per share		
Basic	0.31	(0.31)
Diluted	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	34,098	35,536
Right-of-use assets	11	1,902	2,277
Other intangible assets		41	56
Property development project		57,000	57,000
		93,041	94,869
CURRENT ASSETS			
Inventories		8,166	6,951
Trade and other receivables	12	27,676	17,128
Prepayments and deposits paid		6,603	14,411
Amounts due from a shareholder		–	490
Amounts due from related parties		655	35
Cash and cash equivalents		15,605	1,901
Income tax receivables		–	300
		58,705	41,216
CURRENT LIABILITIES			
Trade and other payables	13	123,321	118,266
Bank borrowings		5,000	4,500
Amounts due to related parties		644	616
Corporate bonds payable		83,700	82,525
Other borrowings		31,036	21,312
Income tax payable		1,049	–
		244,750	227,219
NET CURRENT LIABILITIES		(186,045)	(186,003)
TOTAL ASSETS LESS CURRENT LIABILITIES		(93,004)	(91,134)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2023

	<i>Note</i>	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income – government grant		22,262	22,517
Deferred tax liabilities		1,933	1,869
Lease liabilities		–	–
		<u>24,195</u>	<u>24,386</u>
NET LIABILITIES		<u>(117,199)</u>	<u>(115,520)</u>
CAPITAL AND RESERVES			
Share capital	14	1,216	1,216
Reserves		<u>(118,415)</u>	<u>(116,736)</u>
DEFICIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		<u>(117,199)</u>	<u>(115,520)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2023*

	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 2022 and 1 January 2023 (audited)	1,216	691,882	33,143	11,456	(15,597)	(28,150)	(809,470)	(115,520)
Profit/(loss) for the period	-	-	-	-	-	-	4,517	4,517
Other comprehensive income for the period								
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	(6,196)	-	-	(6,196)
Total comprehensive loss for the period	-	-	-	-	(6,196)	-	4,517	(1,679)
At 30 June 2023 (unaudited)	1,216	691,882	33,143	11,456	(21,793)	(28,150)	(804,953)	(117,199)
At 1 January 2022	1,216	691,882	33,143	11,456	(1,958)	(28,150)	(766,091)	(58,502)
Loss for the period	-	-	-	-	-	-	(43,379)	(43,379)
Other comprehensive income for the period								
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	(13,639)	-	-	(13,639)
Total comprehensive loss for the period	-	-	-	-	(13,639)	-	(43,379)	(57,018)
At 31 December 2022 (audited)	1,216	691,882	33,143	11,456	(15,597)	(28,150)	(809,470)	(115,520)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
	<i>Note</i>	
Net cash generated from/(used in) operating activities	5,500	(3,041)
Investing activities		
Other net cash inflows/(outflows)	430	(335)
Net cash generated from/(used in) investing activities	430	(335)
Financing activities		
Drawn down of other borrowings	8,762	254
Drawn down of bank borrowings	500	4,267
Repayment of bank borrowings	–	–
Repayment of corporate bonds payable	(1,326)	–
Other net cash outflow	(158)	–
Net cash generated from financing activities	7,778	4,521
Net increase in cash and cash equivalents	13,708	1,145
Cash and cash equivalents at the beginning of the period	1,901	2,272
Effect of changes in foreign exchange rates	(4)	(11)
Cash and cash equivalents at the end of the period	15,605	3,406

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong.

In addition, the condensed consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The condensed consolidated financial statements have been prepared under the historical cost convention. These condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The trading of shares of the Company on the Stock Exchange suspended as from 12 May 2022 and has not been resumed for trading up to the date of these condensed consolidated financial statement.

On 12 August 2022, the Company received a letter (“Letter”) from the Stock Exchange setting out the guidance for the resumption of trading in the shares of the Company (“Resumption Guidance”) as follows: (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications; (ii) conduct an appropriate independent forensic investigation into the Acquisitions (including the two side agreements), the Termination and the other related matters raised by the Company’s auditors, announce the findings and take appropriate remedial actions; (iii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules; (iv) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; (v) have the winding up petition (or order, if made) withdrawn or dismissed; and (vi) inform the market of all material information for the Company’s shareholders and other investors to appraise its position. It is stated in the Letter that the Company must meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume and for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange also states in the Letter that it may modify or supplement the Resumption Guidance if the Company’s situation changes.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

Going concern

Notwithstanding that the current liabilities of the Group at 30 June 2023 exceed the Group's current assets at that date by RMB186,045,000, which includes the corporate bonds payable and bank and other borrowings amounted to RMB83,700,000 and RMB36,036,000 respectively; and the total liabilities of the Group at 30 June 2023 exceed the Group's total assets at that date by RMB117,199,000, the Directors of the Company consider it appropriate for the preparation of the condensed consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures being/to be implemented:

- (a) Up to the date of approval of these condensed consolidated financial statements, the Company announced for the proposed scheme of arrangement ("Scheme of Arrangement") for the restructuring of its overall indebtedness position, under which
 - (i) All unsecured and non-preferential claims ("Scheme Claims") shall be discharged and released in full as against the Company on the date on which the Scheme of Arrangement become unconditional and comes into effect;
 - (ii) Creditors with Scheme Claims ("Scheme Creditors") which have been admitted by the administrators of the Scheme of Arrangement or the adjudicator, will be entitled to the following in proportion to their Admitted Claims on a *pari passu* basis:
 - an initial cash payment representing 1% of the Admitted Claims ("Initial Cash Payment"); and
 - annual cash payments from 2024 to 2028 ("Yearly Payments").

The Yearly Payments comprise a cash amount which shall be the higher of (i) HK\$5 million of the year 2024 and HK\$10 million annually for the years 2025 to 2028; and (ii) a cash amount representing the relevant proportion of the Company's audited consolidated net profits for the relevant financial year.

Details of the Scheme of Arrangement are set out in the announcement dated 15 September 2023 (the "Announcement") made by the Company. On 18 October 2023, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors included in the Scheme Creditors voted in favour of the Scheme of Arrangement. On 1 November 2023, the Hong Kong Court sanctioned the Scheme of Arrangement. The Scheme of Arrangement will be effective subject to various conditions to be fulfilled, details of which are set out in the Announcement.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)***Going concern** *(Continued)*(a) *(Continued)*

Management of the Company expect that a substantial part of the liabilities which are classified as current liabilities will be classified as non-current liabilities when the Scheme of Arrangement are effective.

- (b) Management of the Group will closely monitor the financial position of the Group and the Directors of the Company will make every effort to (a) generate adequate cash flows from its continuing operations; and (b) secure funds as may be necessary by pledge of the assets involved in the property development project and issue of new shares as may be necessary to finance the business operations of the Group and repayment of existing debts when they fall due in the foreseeable future.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these condensed consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

Multiple material uncertainties regarding the Group's ability to operate as a going concern exist as to whether management of the Group will be able to achieve its plans and measures as described above. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their net realisable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the condensed consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current interim period beginning on or after 1 January 2023 for the preparation of the condensed consolidated financial statement of the Group.

HKFRS 17	Insurance contracts and the related Amendments ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ²
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rule

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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2023. These new and revised HKFRSs include the following which may be relevant to the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKFRS 16	Lease Liabilities in Sale and Leaseback ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution to Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for accounting periods beginning on or after 1 January 2024

² Effective for accounting periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, will have no material impact on these condensed consolidated financial statements in the foreseeable future.

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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Pharmaceutical distribution	71,472	22,530
Pharmaceutical manufacturing	11,360	10,859
	82,832	33,389

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 to update

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 2023 and 2022. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2023 and 2022.

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 2023 and 2022 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 2023 and 2022 is set out below.

	Six months ended 30 June 2023 (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	42,500	-	28,972	-	71,472	11,360	82,832
Inter-segment revenue	-	-	-	-	-	-	-
Reportable segment revenue	42,500	-	28,972	-	71,472	11,360	82,832
Reportable segment profit	9,997	-	4,909	-	14,906	5,206	20,112
Other segment information							
Depreciation and amortisation	-	-	-	-	-	29	29
	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

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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue		
Reportable segment revenue	82,832	33,389
Elimination of inter-segment revenue	—	—
Consolidated revenue (note 3(a))	<u>82,832</u>	<u>33,389</u>
Profit		
Reportable segment profit	20,112	7,098
Elimination of inter-segment loss	—	—
Gross profit derived from external customers	20,112	7,098
Other income and gains	1,829	61
Other losses	—	(1)
Selling and distribution expenses	(4,503)	(2,170)
General and administrative expenses	(7,386)	(5,503)
Finance costs	(5,471)	(4,120)
Consolidated profit/(loss) before tax	<u>4,581</u>	<u>(4,635)</u>
Other items		
Depreciation and amortisation		
Reportable segment total	29	27
Unallocated total	1,146	1,367
Consolidated total	<u>1,175</u>	<u>1,394</u>

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	4	3
Deferred income – government grant	256	–
Royalty fee income	670	–
Waive of debt	878	–
Others	21	58
	<u>1,829</u>	<u>61</u>

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

(b) Other losses

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Others	–	1
	<u>–</u>	<u>1</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	317	1,538
Corporate bonds payable	5,151	2,556
Lease liabilities	3	26
	<hr/> 5,471 <hr/>	<hr/> 4,120 <hr/>

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold (<i>note i</i>)	62,720	1,747
Salaries, wages and other benefits	4,517	3,057
Contributions to defined contribution retirement plans	246	369
	<hr/>	<hr/>
Total staff costs (<i>note ii</i>)	4,763	3,426
Amortisation of other intangible assets	–	111
Depreciation of property, plant and equipment	983	777
Depreciation of right-of-use assets	192	506
Auditors' remuneration	221	–
	<hr/>	<hr/>

Notes:

- (i) Cost of inventories sold for the six months ended 30 June 2023 includes staff costs and depreciation and amortisation expenses totalled RMB519,000 (six months ended 30 June 2022: RMB66,000) 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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	64	–
	<u>64</u>	<u>–</u>
	<u>64</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 2023 and 2022 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 2023 (six months ended 30 June 2022: Nil).

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

The calculation of basic loss per share for the six months ended 30 June 2023 is based on the loss attributable to equity shareholders of the Company of RMB4,517,000 (six months ended 30 June 2022: RMB4,635,000) and the weighted average of 1,474,993,000 ordinary shares (six months ended 30 June 2022: 1,474,993,000 ordinary shares) in issue.

(b) Diluted profit/(loss) per share

The computation of diluted profit/(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 profit/(loss) per share for the six months ended 30 June 2023 and 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 2023 amounted to RMB983,000 (six months ended 30 June 2022: RMB777,000).

11. RIGHT-OF-USE ASSETS

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

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Trade and commercial bills receivables (<i>note a</i>)	15,802	10,091
Bank bills receivables (<i>note b</i>)	1,283	1,349
Other receivables (<i>note c</i>)	10,591	5,688
	<hr/> 27,676 <hr/>	<hr/> 17,128 <hr/>

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 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 1 month	4,907	10,091
1 to 3 months	8,494	–
4 to 6 months	2,401	–
	<hr/> 15,802 <hr/>	<hr/> 10,091 <hr/>

An average credit period of 30 to 180 days is granted by the Group to its customers (31 December 2022: 30 to 180 days).

(b) Bank bills receivables

The bank bills receivables are aged within 180 days (31 December 2022: 180 days).

13. TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Trade payables (<i>note (i)</i>)	26,198	33,434
Lease liabilities	–	324
Salaries, wage and welfare payable	10,392	15,580
Contract liabilities	17,499	22,560
Accrued corporate bond interests	25,476	19,532
Accrued interests for other borrowings	10,746	5,332
Other payables	33,010	21,454
	123,321	118,266

Notes:

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

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 1 month	1,913	5,948
1 to 3 months	4,977	4,240
Over 3 months	19,308	23,246
	26,198	33,434

The credit term granted to the Group by its suppliers is 30 to 180 days (31 December 2022: 30 to 180 days).

13. 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 2023 RMB'000	At 31 December 2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year	5,061	1,782

14. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorised:		
At 1 January 2022, 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (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 2022, 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	1,474,993	1,216

15. CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, 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. 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 30 June 2023 and 31 December 2022 respectively and no significant contingent liabilities was expected by the Group.

15. 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. 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 no significant contingent liabilities was expected by the Group.

16. EVENT AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the reporting period:

- (a) On 12 August 2022, the Company received a letter (“Letter”) from the Stock Exchange setting out the guidance for the resumption of trading in the shares of the Company (“Resumption Guidance”) including: (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications; (ii) conduct an appropriate independent forensic investigation into the acquisition of the principal assets, which is a total of 68 units situated in the building called “The Apple” located in Melaka, Malaysia (“properties”), held by the two associates of the Company (“Acquisitions”) (including the two side agreements), the cease of interest in the properties (“Termination”) and the other related matters, announce the findings and take appropriate remedial actions; (iii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules; (iv) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; (v) have the winding up petition (or order, if made) withdrawn or dismissed; and (vi) inform the market of all material information for the Company’s shareholders and other investors to appraise its position. It is stated in the Letter that the Company must meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in the Company’s shares is allowed to resume.

16. EVENT AFTER THE REPORTING PERIOD *(Continued)***(a)** *(Continued)*

The trading of shares of the Company on the Stock Exchange continues to suspend and has not been resumed up to the date of this report.

- (b)** 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 the 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 and interest payment in the total amount of approximately HK\$4,730,000 in respect of the bond issued to the Petitioner by the Company. The Petition was dismissed by the First Instance Court on 28 June 2023, details of which are set out in the announcement of the Company dated 9 March 2023, 10 May 2023 and 28 June 2023.

(c) Restructuring and Scheme of Arrangement

Since 2020, various winding-up petitions were presented against the Company. As at the date of this report, the Amended Petition filed by the Petitioner was struck out and the supporting creditor, Zhu Shunyun (“Substituting Petition”) was granted to substitute the petition (“Re-Re-Amended Petition”) remains subsisting. The Re-Re-Amended Petition was filed by a 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 in respect of the bond issued to the 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.

16. EVENT AFTER THE REPORTING PERIOD *(Continued)***(c) Restructuring and Scheme of Arrangement***(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 Hong Kong Court 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.

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 is in negotiation with the petitioner for an amicable settlement and the withdrawal of the said petition.

Details regarding the Scheme of Arrangement are set out in the announcements of the Company dated 25 July 2023, 11 August 2023, 8 September 2023 and 15 September 2023.

16. EVENT AFTER THE REPORTING PERIOD *(Continued)***(d) 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 Listing Rules.

As disclosed in the announcement of the Company dated 29 May 2023, a report on the Internal Control Review (“Internal Control Review Report”) and the report on the Investigation (“Investigation Report”) 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 into the Acquisitions; reporting and making recommendations to the Board on appropriate actions to be taken.

Details regarding the matters relating to the Acquisitions, the Investigation, the Internal Control Review and the Committee are set out in the announcements of the Company dated 12 May 2023, 29 May 2023, 11 August 2023 and 17 August 2023.

16. EVENT AFTER THE REPORTING PERIOD *(Continued)***(e) 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 Praise Treasure Limited ("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 closed on 8 March 2023.

Details regarding the aforementioned matters are set out in 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.

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 2023.

REVENUE

For the six months ended 30 June 2023, the Group recorded a total revenue of RMB82.8 million, representing an increase of approximately 148.1% from RMB33.4 million for the corresponding period last year. Such increase was primarily due to (i) the economy and the general market sentiment improved gradually as the novel coronavirus (COVID-19) epidemic (“Epidemic”) has been under control in early 2023; and (ii) the Group has secured the distribution rights of 10 new pharmaceutical products during the period under review.

COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group’s cost of sales increased by approximately 138.6% from RMB26.3 million for the six months ended 30 June 2022 to RMB62.7 million for the six months ended 30 June 2023. Such increase in cost of sales was in line with the increase in revenue during the period under review.

The Group’s gross profit increased by approximately 183.3% from RMB7.1 million for the six months ended 30 June 2022 to RMB20.1 million for the six months ended 30 June 2023. The Group’s gross profit margin increased from 21.3% for the six months ended 30 June 2022 to 24.3% for the six months ended 30 June 2023. Such change 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 increased by approximately 107.5% from RMB2.2 million for the six months ended 30 June 2022 to RMB4.5 million for the six months ended 30 June 2023. The increase was attributable to the increase in the revenue of the Group and more selling activities and promotions can be done during the period under review after the Epidemic was controlled in early 2023.

GENERAL AND ADMINISTRATIVE EXPENSES

The Group's general and administrative expenses increased by approximately 34.2% from RMB5.5 million for the six months ended 30 June 2022 to RMB7.4 million for the six months ended 30 June 2023. The increase was due to the increase in business volume of the Group during the period under review and legal and professional fee incurred for handling trading resumption of the Company.

OTHER INCOME AND GAINS

Other income and gains increased from RMB0.06 million during the six months ended 30 June 2022 to RMB1.8 million during the six months ended 30 June 2023, which was mainly due to waive of debt of RMB878,000 arising from the settlement agreements entered between the Company and certain bondholders of the Company's corporate bonds, in which the bondholders agreed to receive discounted amount to fully settle the corporate bonds. In addition, there was reversal of impairment loss of RMB670,000 related to amount due from a controlling shareholder during the six months ended 30 June 2023. No waive of debt and reversal of impairment loss were noted during the six months ended 30 June 2022.

FINANCE COSTS

Finance costs increased by approximately 32.8% from RMB4.1 million for the six months ended 30 June 2022 to RMB5.5 million for the six months ended 30 June 2023. Such increase in finance costs of the Group were mainly due to the increase in the outstanding balances of bank and other borrowings of the Group.

PROFIT/(LOSS) FOR THE PERIOD

As a result of the foregoing, the Group's profit for the six months ended 30 June 2023 was approximately RMB4.5 million as compared to a loss of RMB4.6 million for the six months ended 30 June 2022.

OUTLOOK

With the Epidemic being contained and release of restriction measures in 2023, business and economic activities in the PRC have gradually returned to normal. Accordingly, the Company expects that market demand would recover as compared to the relatively low figures in 2022. The management of the Group would focus its efforts on improving the production and distribution capabilities to seize the business opportunities arising from the market recovery.

In addition, in order to optimize the capital structure and resolve the liquidity pressure faced by the Group, the Company would strive to work out feasible proposals with a view to implement the debt restructuring and resume trading of shares of the Company.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB15.6 million as at 30 June 2023 as compared with RMB1.9 million as at 31 December 2022.

The Group recorded net current liabilities of RMB186.0 million and RMB186.0 million as at 30 June 2023 and 31 December 2022 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.24 as at 30 June 2023, as compared with 0.18 as at 31 December 2022.

As at 30 June 2023, the total amount of bank and other borrowings was RMB36.0 million, as compared with RMB25.8 million as at 31 December 2022.

As at 30 June 2023, the total number of issued ordinary shares of the Company ("Shares") was 1,474,992,908 Shares (31 December 2022: 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 2023, 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 2023.

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 2023, 18 corporate bonds with aggregate principal amount of HK\$51.7 million matured and the Company has outstanding unpaid principal amount of HK\$33.1 million of matured corporate bonds as at 30 June 2023.

As at 30 June 2023, interest payable on corporate bonds of approximately HK\$25 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 2023.

CONTINGENT LIABILITIES

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.

A petition (the “2023 Petition”) was filed on 6 March 2023 by Mr. Zhang Min (the “2023 Petitioner”) against the Company in the Court of First Instance (the “Court”) of the Hong Kong Special Administrative Region for an order that the Company be wound up by the Court. The 2023 Petition was filed against the Company for the Company’s failure to settle the principal sum and interest payment in the total amount of HK\$4,730,169.85 in respect of the bond issued to the 2023 Petitioner by the Company. The 2023 Petition was dismissed by the Court at the hearing on 28 June 2023.

Please refer to the announcements of the Company dated 9 March 2023, 10 May 2023 and 28 June 2023 for details.

As at 30 June 2023, except as disclosed above, the Group did not have any significant contingent liabilities.

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 Praise Treasure Limited (“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.

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 2023, 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 2023, the Group had a total of 90 (31 December 2022: 92) staff, primarily in the PRC. The total staff cost was RMB4.8 million (six months ended 30 June 2022: RMB3.4 million) for the six months ended 30 June 2023.

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 2023 (six months ended 30 June 2022: 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 2023, 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 2023. 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 2023.

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 2023.

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 2023, 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 2023 and 30 June

2023, 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 2023 are set out as follows:

Name	Date of grant	Vesting date	Number of share options					Outstanding as at 30 June 2023
			Outstanding as at 1 January 2023	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 former 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

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\$1.0 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 2023.

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 2023, 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 (Note 1)
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 2023 (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 2023 (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 2023, 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 2023, 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	<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%
Osman Mohammed Arab (Note 2)	Agent	753,040,000	51.05%
Lai Wing Lun (Note 2)	Agent	753,040,000	51.05%

Notes:

1. The total number of Shares in issue as at 30 June 2023 (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.3 Fund SP), and on 27 July 2022, 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 2023, 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 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHANGE IN DIRECTORS' INFORMATION

With effect from 1 November 2023, Mr. Khor Khie Liem Alex was appointed as an independent director of Davis Commodities Limited, a company listed on NASDAQ CM. Save for the aforesaid, since the date of the annual report of the Company for the year ended 31 December 2022 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. As at the date of this report, the Company is in negotiation with the Substituting Petitioner for an amicable settlement and the withdrawal of the said petition.

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 Subsisting 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.

For details of the matters relating to the Acquisitions, the Investigation, the Internal Control Review, the Forensic Investigation and the Committee, please refer to the announcements of the Company dated 12 May 2023, 29 May 2023, 11 August 2023, 17 August 2023 and 26 October 2023.

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 2023 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