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**百信集團**  
PASHUN GROUP

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

*(Formerly known as Pa Shun Pharmaceutical International Holdings Limited  
百信藥業國際控股有限公司)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 574)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

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 2017 together with the comparative figures for the corresponding period in 2016. The Group’s interim results are unaudited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

**INTERIM RESULTS HIGHLIGHTS**

- Revenue amounted to approximately RMB387,879,000 (2016: approximately RMB364,147,000).
- Profit for the period amounted to approximately RMB10,389,000 (2016: approximately RMB33,663,000).
- Basic and diluted earnings per share were RMB1.04 cents and RMB1.00 cents, respectively (2016: RMB3.37 cents and RMB3.37 cents).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2017*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2017</b>	2016
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>	<i>3(a)</i>	<b>387,879</b>	364,147
Cost of sales		<u><b>(343,815)</b></u>	<u>(302,314)</u>
<b>Gross profit</b>		<b>44,064</b>	61,833
Other income and gains	<i>4(a)</i>	<b>9,652</b>	15,426
Other net loss	<i>4(b)</i>	<b>(5,275)</b>	–
Selling and distribution expenses		<b>(11,128)</b>	(8,770)
General and administrative expenses		<b>(15,147)</b>	(23,556)
Finance costs	<i>5</i>	<u><b>(6,239)</b></u>	<u>(1,474)</u>
<b>Profit before tax</b>	<i>6</i>	<b>15,927</b>	43,459
Income tax expense	<i>7</i>	<u><b>(5,538)</b></u>	<u>(9,796)</u>
<b>Profit for the period</b>		<u><b>10,389</b></u>	<u>33,663</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>10,389</b>	33,688
Non-controlling interests		<u>–</u>	<u>(25)</u>
<b>Profit for the period</b>		<u><b>10,389</b></u>	<u>33,663</u>
<b>Earnings per share (in RMB cents)</b>	<i>8</i>		
Basic		<u><b>1.04</b></u>	<u>3.37</u>
Diluted		<u><b>1.00</b></u>	<u>3.37</u>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2017*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit for the period</b>	<b>10,389</b>	33,663
<b>Other comprehensive income for the period</b>		
Items 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")	<b>295</b>	1,377
<b>Total comprehensive income for the period</b>	<b>10,684</b>	35,040
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>10,684</b>	35,065
Non-controlling interests	–	(25)
<b>Total comprehensive income for the period</b>	<b>10,684</b>	35,040

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>Notes</i>	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>54,592</b>	56,853
Prepaid land lease payments		<b>12,806</b>	2,214
Other intangible assets		<b>2,856</b>	3,103
Prepayments for intangible assets		<b>20,000</b>	20,000
Other non-current assets		<b>192,970</b>	159,683
Deferred tax assets		<b>3,548</b>	3,968
		<b>286,772</b>	245,821
<b>CURRENT ASSETS</b>			
Inventories		<b>76,663</b>	77,497
Trade and other receivables	<i>10</i>	<b>376,833</b>	343,281
Prepayments and deposits paid		<b>198,790</b>	185,192
Derivative financial instruments		<b>9,413</b>	7,567
Amounts due from related parties		<b>92</b>	357
Pledged bank deposits		<b>74,676</b>	92,122
Cash and cash equivalents		<b>83,798</b>	148,650
		<b>820,265</b>	854,666
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>140,497</b>	193,309
Bank borrowings		<b>29,009</b>	14,009
Amounts due to related parties		<b>181</b>	176
Corporate bonds payable		<b>1,778</b>	135
Income tax payable		<b>10,512</b>	10,812
		<b>181,977</b>	218,441
<b>NET CURRENT ASSETS</b>		<b>638,288</b>	636,225
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>925,060</b>	882,046

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>		
Deferred income – government grant	25,147	25,588
Corporate bonds payable	52,230	15,484
Convertible bonds	<u>112,231</u>	<u>116,206</u>
	<u>189,608</u>	<u>157,278</u>
<b>NET ASSETS</b>	<u>735,452</u>	<u>724,768</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	801	801
Reserves	<u>734,651</u>	<u>723,967</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>735,452</b>	<b>724,768</b>
<b>Non-controlling interests</b>	<u>–</u>	<u>–</u>
<b>TOTAL EQUITY</b>	<u>735,452</u>	<u>724,768</u>

## NOTES

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information 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 information has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2. The interim financial results are unaudited but have been reviewed by the Audit Committee.

The preparation of the unaudited condensed consolidated interim financial information 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 on a year to date basis. Actual results may differ from these estimates.

### 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKAS that are first effective for the current accounting period of the Group.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) in the current interim period has had no material effect on the Group’s results and financial position for the current or prior periods.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The Directors are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s results of operations and financial position.

### 3. REVENUE AND SEGMENT REPORTING

#### a) Revenue

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

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Pharmaceutical distribution	<b>350,691</b>	324,310
Self-operated retail pharmacies	–	251
Pharmaceutical manufacturing	<b>37,188</b>	39,586
	<b><u>387,879</u></b>	<u>364,147</u>

#### b) Segment reporting

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

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

The Group's revenue and operating profit were entirely derived from activities of pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing in the PRC and the principal assets employed by the Group were located in the PRC for the six months ended 30 June 2017 and 2016. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2017 and 2016.

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 2017 and 2016 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.

*(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 2017 and 2016 is set out below.

	Six months ended 30 June 2017 (unaudited)						
	Pharmaceutical distribution				Self-operated	Pharmaceutical	Total
	Sales to wholesalers	Sales to franchise pharmacy chain stores	Sales to hospitals and other medical institutions in rural areas	Sub-total	retail pharmacies	manufacturing	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	211,096	105,647	33,948	350,691	-	37,188	387,879
Inter-segment revenue	-	101	-	101	-	1,039	1,140
Reportable segment revenue	<u>211,096</u>	<u>105,748</u>	<u>33,948</u>	<u>350,792</u>	<u>-</u>	<u>38,227</u>	<u>389,019</u>
Reportable segment profit	<u>6,239</u>	<u>9,616</u>	<u>7,268</u>	<u>23,123</u>	<u>-</u>	<u>20,958</u>	<u>44,081</u>
Other segment information							
Depreciation and amortisation	-	-	-	-	-	283	283



Six months ended 30 June 2016 (unaudited)

	Pharmaceutical distribution						Total RMB'000
	Sales to wholesalers RMB'000	Sales to franchise retail pharmacy chain stores RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	
Revenue from external customers	215,704	69,600	39,006	324,310	251	39,586	364,147
Inter-segment revenue	-	120	-	120	-	693	813
Reportable segment revenue	<u>215,704</u>	<u>69,720</u>	<u>39,006</u>	<u>324,430</u>	<u>251</u>	<u>40,279</u>	<u>364,960</u>
Reportable segment profit	<u>10,686</u>	<u>19,348</u>	<u>9,955</u>	<u>39,989</u>	<u>51</u>	<u>21,903</u>	<u>61,943</u>
Other segment information							
Depreciation and amortisation	-	-	-	-	-	226	226

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

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
<b>Revenue</b>		
Reportable segment revenue	<b>389,019</b>	364,960
Elimination of inter-segment revenue	<b>(1,140)</b>	(813)
Consolidated revenue (note 3(a))	<b><u>387,879</u></b>	<u>364,147</u>
<b>Profit</b>		
Reportable segment profit	<b>44,081</b>	61,943
Elimination of inter-segment profit	<b>(17)</b>	(110)
Gross profit derived from external customers	<b>44,064</b>	61,833
Other income and gains	<b>9,652</b>	15,426
Other net loss	<b>(5,275)</b>	-
Selling and distribution expenses	<b>(11,128)</b>	(8,770)
General and administrative expenses	<b>(15,147)</b>	(23,556)
Finance costs	<b>(6,239)</b>	(1,474)
Consolidated profit before tax	<b><u>15,927</u></b>	<u>43,459</u>



## 5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	673	760
Corporate bonds payable	1,808	–
Convertible bonds	3,378	–
Other borrowings	30	384
Bills charges and other bank charges	350	330
	<u>6,239</u>	<u>1,474</u>

## 6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold ( <i>note i</i> )	343,815	302,314
Salaries, wages and other benefits	7,585	16,347
Contributions to defined contribution retirement plans	1,445	1,844
	<u>9,030</u>	<u>18,191</u>
Total staff costs ( <i>note ii</i> )	9,030	18,191
Amortisation of intangible assets	246	257
Amortisation of prepaid land lease payments	134	56
Depreciation of property, plant and equipment	2,979	4,407
Auditors' remuneration		
Audit services	53	–
Non-audit services	258	–
Operating lease charges in respect of property rentals	593	1,902
	<u>593</u>	<u>1,902</u>

Notes:

- (i) Cost of inventories sold for the six months ended 30 June 2017 includes staff costs, depreciation and amortisation expenses totalled RMB645,000 (2016: RMB732,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

## 7. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Current tax – PRC Enterprise Income Tax</b>		
Provision for the period	<b>5,118</b>	9,796
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u><b>420</b></u>	<u>–</u>
	<u><b>5,538</b></u>	<u><b>9,796</b></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 2017 and 2016 have been made in the consolidated statement of profit or loss as the Group has no assessable profits arising in Hong Kong for both of the periods presented.
- iv) The Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25%.

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

## 8. EARNINGS PER SHARE

### a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to ordinary equity shareholders of the Company of RMB10,389,000 (2016: RMB33,688,000) and 1,000,000,000 ordinary shares (2016: 1,000,000,000 ordinary shares) in issue.

### b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2017 and 2016 is based on the profit attributable to ordinary equity shareholders of the Company of RMB11,613,000 and RMB33,688,000 and 1,160,000,000 and 1,000,000,000 ordinary shares, respectively, in issue and issuable as follows:

#### (i) Earnings

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share	<b>10,389</b>	33,688
Effect of diluted potential ordinary shares		
Interest on convertible bonds	<b>3,378</b>	–
Gain on change in fair value of derivative financial instruments	<b>(2,154)</b>	–
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<b><u>11,613</u></b>	<b><u>33,688</u></b>

(ii) *Number of shares*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
	<i>'000</i>	<i>'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,000,000</b>	1,000,000
Effect of conversion of convertible bonds	<b>160,000</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,160,000</b>	1,000,000

**9. DIVIDENDS**

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

**10. TRADE AND OTHER RECEIVABLES**

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade and commercial bills receivables	<b>266,346</b>	287,698
Bank bills receivables	<b>436</b>	6
Other receivables	<b>110,051</b>	55,577
	<b>376,833</b>	343,281

### Ageing analysis of trade and commercial bills receivables

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

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Within 1 month	49,020	82,524
1 to 3 months	92,871	101,697
4 to 6 months	56,836	58,500
Over 6 months	67,619	44,977
Trade and commercial bills receivables, net of allowance for doubtful debts	<u>266,346</u>	<u>287,698</u>

An average credit period of 30 to 180 days is granted by the Group to its customers.

### 11. TRADE AND OTHER PAYABLES

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Trade creditors ( <i>note</i> )	55,007	61,447
Bills payables	41,053	99,725
Salaries, wages and welfare payables	13,615	9,426
Other payables and accrued expenses	19,107	11,623
Deposits received from customers	9,059	7,450
Other tax payables	2,656	3,638
	<u>140,497</u>	<u>193,309</u>

Note:

An ageing analysis of trade creditors, based on the dates of goods delivery, is as follows:

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Within 1 month	11,463	15,850
1 to 3 months	11,936	8,575
Over 3 months	31,608	37,022
	<u>55,007</u>	<u>61,447</u>

The credit term granted to the Group by its suppliers is 30 days.

## 12. DISPOSAL OF A SUBSIDIARY

### During the six months ended 30 June 2016

In January 2016, the Group disposed of its entire equity interest in a company principally engaged in self-operated retail pharmacies in Hebei, PRC, to an independent third party for a cash consideration of RMB400,000. The net liabilities at the date of disposal were as follows:

	<i>RMB'000</i> (unaudited)
Consideration received:	
Deferred consideration	<u>400</u>
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	9,116
Intangible assets	4,633
Inventories	777
Cash and cash equivalents	123
Trade and other payables	(1,911)
Shareholder's loan	(24,413)
Net liabilities disposed of	<u>(11,675)</u>
Gain on disposal of a subsidiary:	
Deferred consideration	400
Net liabilities disposed of	11,675
Non-controlling interests	(2,335)
Gain on disposal	<u>9,740</u>
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	<u>(123)</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the six months ended 30 June 2017. For the self-operated retail pharmacies business, the Group continued to seek mergers and acquisitions opportunities in respect of established retail pharmacy chains in order to revitalize the business segment.

#### **Revenue**

For the six months ended 30 June 2017, the Group recorded a total revenue of RMB387.9 million, representing an increase of approximately 6.5% from RMB364.1 million for the six months ended 30 June 2016. This increase was primarily due to the growth in revenue from the Group's pharmaceutical distribution, offset by the decrease in revenue from the Group's self-operated retail pharmacies segment and pharmaceutical manufacturing segment.

#### **Cost of Sales, Gross Profit and Gross Margin**

The Group's cost of sales increased by approximately 13.7% from RMB302.3 million for the six months ended 30 June 2016 to RMB343.8 million for the six months ended 30 June 2017. This increase was primarily due to increase in cost of sales for the Group's pharmaceutical distribution segment.

The Group's gross profit decreased by approximately 28.7% from RMB61.8 million for the six months ended 30 June 2016 to RMB44.1 million for the six months ended 30 June 2017. The Group's gross margin decreased from 17.0% for the six months ended 30 June 2016 to 11.4% for the six months ended 30 June 2017. Such decrease is primarily attributable to the higher contribution from the pharmaceutical distribution segment which had a lower margin than those of other segments.

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses increased by approximately 26.9% from RMB8.8 million for the six months ended 30 June 2016 to RMB11.1 million for the six months ended 30 June 2017. This increase was primarily due to an increase in salary and commission expenses and transportation expenses due to the increased coverage of the Group's distribution area, offset by a decrease in rent and management fees due to the closure of the Group's retail pharmacy stores.

## **General and Administrative Expenses**

The Group's general and administrative expenses decreased by approximately 35.7% from RMB23.6 million for the six months ended 30 June 2016 to RMB15.1 million for the six months ended 30 June 2017. This decrease was primarily due to a decrease in salary and welfare, in particular bonus expenses, along with a decrease in rent and management fees for the Group's operation in Chengdu.

## **Other Income and Gains**

Other income and gains decreased by approximately 37.4% from RMB15.4 million for the six months ended 30 June 2016 to RMB9.7 million for the six months ended 30 June 2017. This decrease was primarily due to the absence of the gain on disposal of a subsidiary of the Company which existed in the first half of 2016.

## **Other Net Loss**

The Group recorded other net loss of RMB5.3 million for the six months ended 30 June 2017 (2016: RMBnil). Such net loss was primarily due to impairment loss on trade receivables, offset by reversal of impairment losses on inventories and other receivables.

## **Finance Costs**

Finance costs increased by approximately 323.3% from RMB1.5 million for the six months ended 30 June 2016 to RMB6.2 million for the six months ended 30 June 2017. This increase was primarily due to the increase in interest and related expenses from the Company's convertible and corporate bonds that were issued during the second half of 2016 and the first half of 2017.

## **Profit before Tax**

Profit before tax decreased by approximately 63.4% from RMB43.5 million for the six months ended 30 June 2016 to RMB15.9 million for the six months ended 30 June 2017. This decrease was primarily due to (i) the decrease in gross profit for the six months ended 30 June 2017, (ii) the absence of the gain from disposal of a subsidiary which existed in the first half of 2016 and (iii) the increase in finance costs as disclosed above.

## **Income Tax Expense**

Income tax expense decreased by approximately 43.5% from RMB9.8 million for the six months ended 30 June 2016 to RMB5.5 million for the six months ended 30 June 2017. This decrease was primarily due to the decrease in taxable income from the PRC subsidiaries of the Company.

## **Profit for the Period and Net Profit Margin**

As a result of the foregoing, the Group's profit for the period decreased by approximately 69.1% from RMB33.7 million for the six months ended 30 June 2016 to RMB10.4 million for the six months ended 30 June 2017. The Group's net profit margin decreased from 9.2% for the six months ended 30 June 2016 to 2.7% for the six months ended 30 June 2017.

## **BUSINESS REVIEW**

For the six months ended 30 June 2017, the Group's revenue generated by the pharmaceutical distribution segment amounted to RMB350.8 million, representing an increase of approximately 8.1% as compared with RMB324.4 million for the comparative period in 2016. Such increase was primarily attributable to the increase of the revenue from the sales to franchise retail chain pharmacies though the overall growth of this segment was offset by the reduction in revenue from the sales to other wholesalers and to the hospitals and other medical institutions in rural areas. The "Two-Invoice System" implemented in April 2017 in Sichuan, which only allows a single level of distributors for the sale of pharmaceutical products from drug manufacturers to medical institutions, has caused a drop in the Group's sales to other wholesalers and to the hospitals and other medical institutions in rural areas, and deteriorated the gross margin of the entire segment.

The Group did not have any revenue generated from the self-operated retail pharmacies segment for the six months ended 30 June 2017, as compared to a revenue of RMB0.3 million for the six months ended 30 June 2016. Such decrease was mainly attributable to the closure of the Group's remaining self-operated retail pharmacies in Chengdu which had failed to meet the earnings targets upon assessment. The Group had been seeking merger and acquisition opportunities in respect of established retail pharmacy chains to revitalize the business segment.

For the six months ended 30 June 2017, the Group's revenue from the pharmaceutical manufacturing segment amounted to RMB38.2 million, representing a decrease of approximately 5.1% from RMB40.3 million for the six months ended 30 June 2016. Such decrease was mainly attributable to the sluggish market for traditional embrocation products.

During the period under review, the Group acquired the state-owned land use right certificate for its manufacturing site located in Wenjiang District, Chengdu.

## **FUTURE PROSPECTS**

During the reporting period, various revolutionary policies for the Chinese pharmaceutical industry continued to be implemented, bringing in challenges and also new opportunities to the industry. The "Two-Invoice System" was formally implemented in Sichuan regions, leading to continuous integration of the pharmaceutical distribution industry and promoting industry participants to accelerate transformation. In addition, the comprehensive reform of public hospitals in the PRC is expected to be fully initiated in the second half of this year. Relevant government departments will coordinate and promote in-depth reforms in the management system, medical pricing, personnel compensation, drug distribution, health insurance payment method, etc., which would bring a new round of changes to the industry.

The pharmaceutical industry is highly competitive. The Group is making adequate preparation in talent, capital and business model expansion, so that it can continuously enhance its risk resistance ability and adapt to policy changes, and stand in a favorable position to seize new development opportunities. The Group can make use of its solid foundation, resources and network in southwestern China to seize the opportunity of extending to areas of innovative business for development. Under the leadership of an experienced and dedicated management team, the Group will continue to implement the following business development strategies so as to maintain growth and to achieve better returns:

- Accelerating the construction of an international logistics centre to improve the operational efficiency of the pharmaceutical distribution business;
- Leveraging on its network advantage to strengthen interaction with franchisers, so as to enhance business quality and volume;
- Continuously optimising the product structure to expand the range of available products; and
- Increasing efforts on investments, mergers and acquisitions to expand the Group's business scale and enhance its profitability.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

The Group had total cash and cash equivalents of RMB83.8 million as at 30 June 2017 as compared with RMB148.7 million as at 31 December 2016.

The Group recorded net current assets of RMB638.3 million and RMB636.2 million as at 30 June 2017 and 31 December 2016 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 4.51 as at 30 June 2017, as compared with 3.91 as at 31 December 2016.

As at 30 June 2017, the total amount of bank loans was RMB29.0 million, as compared with RMB14.0 million as at 31 December 2016.

As at 30 June 2017, the total number of issued ordinary shares of the Company was 1,000,000,000 shares (31 December 2016: 1,000,000,000 shares) (the “**Shares**”). In 2016, 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. No share options of the Company were exercised during the six months ended 30 June 2017. Please refer to the announcement of the Company dated 8 July 2016 for details of the grant of the Options.

On 15 December 2016, the Company entered into a convertible bonds subscription agreement (“**Subscription Agreement**”) with, among others, Chance Talent Management Limited (“**Purchaser**”), pursuant to which, on 29 December 2016, the Company has issued to the Purchaser (a) the 4% secured guaranteed convertible bonds in the principal amount of HK\$72,000,000 which entitle the holders thereof to convert the outstanding principal amount of such bonds into Shares at the initial conversion price of HK\$0.6 per Share (“**Series 1 CB**”); and (b) the 4% secured guaranteed convertible bonds in the principal amount of HK\$48,000,000 which entitle the holders thereof to convert the outstanding principal amount of such bonds into Shares at the initial conversion price of HK\$1.2 per Share (“**Series 2 CB**”, collectively with Series 1 CB as the “**Convertible Bonds**”). On 20 July 2017, the Company executed the supplemental deed (“**Supplemental Deed**”) with, among others, the Purchaser, pursuant to which the parties have conditionally agreed to enter into the supplemental bond instruments of each of the Convertible Bonds (“**Supplemental Bond Instruments**”), to amend certain terms and conditions of the Convertible Bonds. Please refer to the section headed “Issue of the Convertible Bonds” in this announcement for further details.

For the six months ended 30 June 2017, the Company issued 18 batches of unsecured corporate bonds, with principal amount of RMB52.7 million, to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 3 to 7.5 years.

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 reporting period.

The Group’s gearing ratio is represented by net debts divided by total equity plus net debts. The Group’s net debts include bank and other borrowings, corporate and convertible bonds, less cash and cash equivalents and pledged bank deposits. As at 30 June 2017, the Group’s gearing ratio was 4.76% (31 December 2016: -15.1%).

## **CONTINGENT LIABILITIES**

As at 30 June 2017, the Group did not have any significant contingent liabilities.

## **FOREIGN EXCHANGE RISKS**

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

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

During the six months ended 30 June 2017, the Group did not make any significant investments, acquisitions or disposals that would constitute a discloseable transaction under Chapter 14 of the Listing Rules.

## **HUMAN RESOURCES**

As at 30 June 2017, the Group had a total of 274 staff, primarily in the PRC. The total staff cost was RMB9.0 million for the six months ended 30 June 2017.

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

## USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares are listed on the Main Board of the Stock Exchange on 19 June 2015 with net proceeds (“**Net Proceeds**”) from the global offering of approximately HK\$249.5 million (after deducting underwriting commissions and related expenses). As at 30 June 2017, the Group had utilised HK\$133.7 million of the Net Proceeds and the unutilised Net Proceeds amounted to HK\$115.8 million.

The following table sets forth a breakdown of the use of the Net Proceeds during the period under review:

<b>Use of the Net Proceeds</b>	<b>Available to use <i>HK\$ million</i></b>	<b>Utilised (as at 30 June 2017) <i>HK\$ million</i></b>	<b>Unutilised (as at 30 June 2017) <i>HK\$ million</i></b>
Logistics center and related expenses	121.3	121.0	0.3
Acquisition or establishment of self-operated retail pharmacy stores	116.2	0.7	115.5
Working capital and other general corporate purposes	12.0	12.0	–
	<u>249.5</u>	<u>133.7</u>	<u>115.8</u>

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



## ISSUE OF THE CONVERTIBLE BONDS

On 15 December 2016, the Company has entered into the Subscription Agreement, pursuant to which, on 29 December 2016, the Company issued to the Purchaser the Series 1 CB in the principal amount of HK\$72,000,000 and the Series 2 CB in the principal amount of HK\$48,000,000.

The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since (i) they will not have an immediate dilution effect on the shareholding of existing shareholders; and (ii) if the conversion rights attached to the Convertible Bonds (“**Conversion Rights**”) are exercised, the shareholder base of the Company will be enlarged by bringing in new investor(s) and it is expected that the financial position of the Group will be improved to provide for the existing and future business of the Group.

The net proceeds from the issue of the Convertible Bonds, after deducting related transaction costs, was approximately HK\$113.1 million of which HK\$75.0 million was utilised as at 30 June 2017.

On 20 July 2017, the Company executed the Supplemental Deed with, among others, the Purchaser, pursuant to which the parties have conditionally agreed to enter into the Supplemental Bond Instruments to amend certain terms and conditions of the Convertible Bonds. As at the date of this announcement, the amendments to the terms and conditions of the Convertible Bonds have been completed. Pursuant to the Supplemental Bond Instruments, the initial conversion price of Series 2 CB has been adjusted from HK\$1.2 per Share to HK\$0.6 per Share.

Assuming the exercise in full of the Conversion Rights at the initial conversion price of HK\$0.6 per Share in respect of the Series 1 CB and the amended initial conversion price of HK\$0.6 per Share in respect of the Series 2 CB, an aggregate of 200,000,000 Shares would be issued. As at the date of the Subscription Agreement and the Supplemental Deed, the closing price of the Share as quoted on the Stock Exchange amounted to HK\$0.51 and HK\$0.415, respectively.

Details of the Convertible Bonds and the amendments to the Convertible Bonds are set out in the Company’s announcements dated 15 December 2016, 29 December 2016 and 20 July 2017.

## **DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017.

## **CORPORATE GOVERNANCE**

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2017, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Chen Yenfei is the chairman and chief executive officer of the Company. He has extensive experience in medicine industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the Group’s senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

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

## **AUDIT COMMITTEE**

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Liu Liangzhong, Mr. Min Feng and Mr. Wong Tak Shing. The chairman of the Audit Committee is Mr. Liu Liangzhong who has appropriate professional qualifications. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the interim financial results for the six months ended 30 June 2017.

## **CHANGE OF COMPANY NAME**

By a special resolution passed at the annual general meeting of the Company on 8 June 2017, the English name of the Company has changed from "Pa Shun Pharmaceutical International Holdings Limited" to "Pa Shun International Holdings Limited" and the dual foreign name in Chinese of the Company has changed from "百信藥業國際控股有限公司" to "百信國際控股有限公司".

## **CHANGE OF AUDITORS**

CCTH CPA Limited was appointed as the external auditor of the Company on 11 January 2017 upon the resignation of Crowe Horwath (HK) CPA Limited with effect from the same date.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

By order of the Board of Directors  
**Pa Shun International Holdings Limited**  
**Mr. Chen Yenfei**  
*Chairman and Chief Executive Officer*

Hong Kong, 31 August 2017

*As at the date of this announcement, the executive Directors are Mr. Chen Yenfei, Mr. Shen Shun and Mr. Zhou Jian; the non-executive Directors are Mr. Zhang Xiongfeng and Mr. Masahiro Honna; and the independent non-executive Directors are Mr. Liu Liangzhong, Mr. Wong Tak Shing and Mr. Min Feng.*

*This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.pashun.cn](http://www.pashun.cn) under the section of “Investor Relations/HKEx Filings” respectively. The interim report of the Company for the six months ended 30 June 2017 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.*