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

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Pa Shun International Holdings Limited (the “**Company**”, together with the subsidiaries as the “**Group**”) announces that the audited annual consolidated results of the Group for the year ended 31 December 2020 together with the comparative figures for 2019 as follows:

### **ANNUAL RESULTS HIGHLIGHTS**

- Revenue amounted to approximately RMB474,835,000 (2019: approximately RMB845,448,000).
- Loss for the year amounted to approximately RMB419,189,000 (2019: approximately RMB193,399,000).
- Basic and diluted loss per share were RMB28.37 cents (2019: RMB13.38 cents) and N/A (2019: N/A), respectively.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	NOTES	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	3(a)	<b>474,835</b>	845,448
Cost of sales		<u>(457,138)</u>	<u>(803,516)</u>
<b>Gross profit</b>		<b>17,697</b>	41,932
Other income and gains	4(a)	<b>16,991</b>	22,285
Other net losses	4(b)	<b>(414,576)</b>	(197,289)
Selling and distribution expenses		<b>(8,085)</b>	(10,976)
General and administrative expenses		<b>(26,268)</b>	(35,229)
Finance costs	5	<b>(11,520)</b>	(11,855)
Share of profit of associate		<u>–</u>	<u>650</u>
<b>Loss before tax</b>	6	<b>(425,761)</b>	(190,482)
Income tax credit/(expense)	7	<u><b>6,572</b></u>	<u>(2,917)</u>
<b>Loss for the year</b>		<u><b>(419,189)</b></u>	<u>(193,399)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(418,454)</b>	(193,721)
Non-controlling interests		<u><b>(735)</b></u>	<u>322</u>
<b>Loss for the year</b>		<u><b>(419,189)</b></u>	<u>(193,399)</u>
<b>Loss per share (in RMB cents)</b>	9		
Basic		<u><b>(28.37)</b></u>	<u>(13.38)</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2020*

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Loss for the year</b>	<b>(419,189)</b>	(193,399)
<b>Other comprehensive income/(loss) for the year</b>		
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")	<b>13,670</b>	(8,083)
Item that will not be reclassified subsequently to profit or loss:		
Loss on change in fair value of financial assets at fair value through other comprehensive income	<u>—</u>	<u>(22,000)</u>
<b>Total comprehensive loss for the year</b>	<b><u>(405,519)</u></b>	<b><u>(223,482)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(404,784)</b>	(223,804)
Non-controlling interests	<u>(735)</u>	<u>322</u>
<b>Total comprehensive loss for the year</b>	<b><u>(405,519)</u></b>	<b><u>(223,482)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	<i>NOTES</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>40,910</b>	51,642
Right-of-use assets		<b>4,188</b>	3,060
Interests in associates		<b>42,881</b>	50,580
Other intangible assets		<b>26,677</b>	29,632
Financial assets at fair value through other comprehensive income		–	3,000
Property development project		<b>185,797</b>	185,797
Other non-current assets		–	1,972
Deferred tax assets		<b>4,640</b>	6,312
		<b>305,093</b>	331,995
<b>CURRENT ASSETS</b>			
Inventories		<b>17,950</b>	14,849
Trade and other receivables	<i>10</i>	<b>81,980</b>	373,740
Prepayments and deposits paid		<b>82,548</b>	179,179
Amount due from an associate		–	–
Amounts due from related parties		<b>85</b>	85
Pledged bank deposits		<b>10,087</b>	9,893
Cash and cash equivalents		<b>5,262</b>	16,125
Income tax recoverable		<b>180</b>	–
		<b>198,092</b>	593,871
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>103,811</b>	111,979
Bank borrowings		<b>8,000</b>	6,000
Amount due to a shareholder		<b>550</b>	283
Amounts due to associates		<b>2</b>	2
Amounts due to related parties		<b>145</b>	144
Corporate bonds payable		<b>87,751</b>	26,871
Income tax payable		–	8,695
		<b>200,259</b>	153,974
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(2,167)</b>	439,897
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>302,926</b>	771,892

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred income – government grant	<b>23,541</b>	24,053
Corporate bonds payable	–	64,143
Lease liabilities	<b>1,403</b>	114
	<u><b>24,944</b></u>	<u>88,310</u>
<b>NET ASSETS</b>	<u><b>277,982</b></u>	<u>683,582</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>1,216</b>	1,216
Reserves	<b>276,766</b>	696,267
	<u><b>277,982</b></u>	<u>697,483</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>277,982</b>	697,483
<b>Non-controlling interests</b>	–	(13,901)
	<u><b>277,982</b></u>	<u>683,582</u>
<b>TOTAL EQUITY</b>	<u><b>277,982</b></u>	<u>683,582</u>

## *Notes:*

### **1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

#### **Statement of compliance**

The consolidated financial statements of the Group, comprising the Company and its subsidiaries, have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the “**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements have also been prepared in accordance with the applicable disclosures required by the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group. The Group incurred losses amounted to approximately RMB419,189,000 and RMB193,399,000 for the years ended 31 December 2020 and 31 December 2019 respectively, and the Group had net current liabilities of amounted to approximately RMB2,167,000 as at 31 December 2020. These conditions indicate the existence of a material uncertainty which may cast a significant doubt on the Group’s ability to continue as a going concern. Nevertheless, the directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) With reference to the cash flow forecast prepared by the Group’s management for the twelve months ending 31 December 2021, the Group will be able to generate adequate cash flows from its continuing operations and to obtain sufficient fundings to meet the debts of the Group as and when they fall due in the foreseeable future.
- (ii) The directors of the Company are considering various alternatives, including but not limited to new long term debts to be secured by pledge of the assets involved in the property development project, to obtain additional funds to finance the Group’s working capital and the repayment of existing debts when they fall due.

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

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by HKICPA for the first time which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while business usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processed and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

## New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

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 the consolidated financial statements in the foreseeable future.



### 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 (which is recognised on the basis of “at a point in time”). The revenue of each significant segment is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Pharmaceutical distribution	447,106	798,490
Self-operated retail pharmacies	–	1,255
Pharmaceutical manufacturing	<u>27,729</u>	<u>45,703</u>
	<u><u>474,835</u></u>	<u><u>845,448</u></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 assessment of segment performance, the Group has presented the following reportable segments. No 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.

(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 years ended 31 December 2020 and 31 December 2019 is set out below.

		Year ended 31 December 2020							
		Pharmaceutical distribution							
		Sales to franchise retail	Sales to hospitals and other medical institutions in rural areas	Others	Sub-total	Self-operated retail pharmacies	Pharmaceutical manufacturing	Total	
		Sales to wholesalers	pharmacy chain stores						
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue from external customers		376,369	31,108	39,277	354	447,108	-	27,727	474,835
Inter-segment revenue		-	585	-	-	585	-	207	792
Reportable segment revenue		<u>376,369</u>	<u>31,693</u>	<u>39,277</u>	<u>354</u>	<u>447,693</u>	<u>-</u>	<u>27,934</u>	<u>475,627</u>
Reportable segment profit/(loss)		<u>(141)</u>	<u>2,563</u>	<u>3,423</u>	<u>211</u>	<u>6,056</u>	<u>-</u>	<u>11,639</u>	<u>17,695</u>
Other segment information									
Depreciation and amortisation		-	-	-	-	-	-	112	112
		Year ended 31 December 2019							
		Pharmaceutical distribution							
		Sales to franchise retail	Sales to hospitals and other medical institutions in rural areas	Others	Sub-total	Self-operated retail pharmacies	Pharmaceutical manufacturing	Total	
		Sales to wholesalers	pharmacy chain stores						
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue from external customers		690,859	39,218	58,905	9,508	798,490	1,255	45,703	845,448
Inter-segment revenue		-	-	-	-	-	-	291	291
Reportable segment revenue		<u>690,859</u>	<u>39,218</u>	<u>58,905</u>	<u>9,508</u>	<u>798,490</u>	<u>1,255</u>	<u>45,994</u>	<u>845,739</u>
Reportable segment profit		<u>8,823</u>	<u>2,027</u>	<u>9,135</u>	<u>1,565</u>	<u>21,550</u>	<u>(463)</u>	<u>20,833</u>	<u>41,920</u>
Other segment information									
Depreciation and amortisation		-	-	-	-	-	-	114	114

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.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue	475,627	845,739
Elimination of inter-segment revenue	<u>(792)</u>	<u>(291)</u>
Consolidated revenue	<u><b>474,835</b></u>	<u><b>845,448</b></u>
<b>Loss</b>		
Reportable segment profit	17,695	41,920
Elimination of inter-segment loss	<u>2</u>	<u>12</u>
Gross profit derived from external customers	17,697	41,932
Other income and gains	16,991	22,285
Other net losses	(414,576)	(197,289)
Selling and distribution expenses	(8,085)	(10,976)
General and administrative expenses	(26,268)	(35,229)
Finance costs	(11,520)	(11,855)
Share of profit of associate	<u>–</u>	<u>650</u>
Consolidated loss before tax	<u><b>(425,761)</b></u>	<u><b>(190,482)</b></u>
<b>Other items</b>		
Depreciation and amortisation		
Reportable segment total	112	114
Unallocated total	<u>6,974</u>	<u>7,161</u>
Consolidated total	<u><b>7,086</b></u>	<u><b>7,275</b></u>

- (iii) Revenue from individual customers contributing over 10% of the total revenue of the Group is as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue generated from pharmaceutical distribution		
Customer A	<b>194,187</b>	135,331
Customer B	<b>79,206</b>	N/A
Customer C	N/A	107,706
Customer D	<b>N/A</b>	<b>86,870</b>

Revenue from each of the Customer C and Customer D for the year ended 31 December 2020 and revenue from Customer B for the year ended 31 December 2019 did not contribute 10% or more to the Group's revenue for that year respectively.

The Group's segment revenue and segment profit were entirely derived from activities of pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing in the PRC for the years ended 31 December 2020 and 31 December 2019 and the principal assets employed by the Group were located in the PRC as at 31 December 2020 and 31 December 2019. Accordingly, no analysis by geographical information is provided for the years ended 31 December 2020 and 31 December 2019.

No analysis of the Group's assets and liabilities by operating segments was regularly provided to the chief operating decision makers for review during the years ended 31 December 2020 and 31 December 2019 for the purposes of resource allocation and assessment of segment performance.

#### 4. OTHER INCOME AND GAINS AND OTHER NET LOSSES

##### (a) Other income and gains

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Franchise fee	3,357	8,155
Bank interest income	45	49
Interest income from loan receivables	3,099	576
Gain on disposal of property, plant and equipment	–	9
Gain on disposal of subsidiary	5,908	5,516
Write-off of trade payables	–	172
Write-off of other payables	–	1,215
Reversal of write-off of other payables	(541)	(583)
Net foreign exchange gains	57	571
Royalty fee income	4,000	4,000
Deferred income – government grant	512	512
Others	554	2,093
	<u>16,991</u>	<u>22,285</u>

(b) Other net losses

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment loss on:		
Property, plant and equipment	7,200	–
Investment in associates	6,088	–
Intangible assets	–	4,090
Inventories	–	463
Trade receivables	242,887	118,469
Other receivables	62,407	7,193
Prepayments and deposits paid	102,237	74,501
Reversal of impairment loss on:		
Trade receivables	(6,263)	(8,288)
Other receivables	–	(1,234)
Write-off of property, plant and equipment	20	179
Loss on disposal of associate	–	1,916
	<u>414,576</u>	<u>197,289</u>

5. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on:		
Bank borrowings	671	1,242
Corporate bonds payable	10,664	10,421
Other borrowings	98	107
Lease liabilities	87	85
	<u>11,520</u>	<u>11,855</u>

## 6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories ( <i>note i</i> )	457,138	803,516
Salaries, wages and other benefits	11,002	12,156
Contributions to defined contribution retirement plans	<u>342</u>	<u>580</u>
Total staff costs ( <i>note ii</i> )	11,344	12,736
Amortisation of intangible assets	2,614	2,164
Depreciation of property, plant and equipment	2,909	3,517
Depreciation of right-of-use assets	1,393	1,594
Auditors' remuneration		
Audit services	1,182	1,305
Non-audit services	<u>160</u>	<u>220</u>

*Notes:*

- (i) Cost of inventories includes staff costs and depreciation expenses totalled RMB1,069,000 (2019: RMB738,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

## 7. INCOME TAX (CREDIT)/EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	(7,275)	5,112
Deferred tax		
Origination and reversal of temporary differences	<u>703</u>	<u>(2,195)</u>
	<u>(6,572)</u>	<u>2,917</u>

### *Notes:*

- (i) The Group is subject to income tax on an entity based on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) Pursuant to 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 has been made in the unaudited consolidated statement of profit or loss as the Group has no assessable profits arising in Hong Kong for both of the years presented.
- (iv) Except for Chengdu Toyot Pa Shun Pharmacy Co., Ltd. (“**Chengdu Pashun**”), the Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25% (2019: 25%).

Having applied for preferential income tax treatment under the Notice on the Issues of Tax Policies for Thorough Implementation of Western Development Strategy, Chengdu Pashun, a wholly-owned subsidiary of the Company, 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. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2020 (2019: Nil) nor had any dividend been proposed since the end of the reporting period (2019: Nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB418,454,000 (2019: RMB193,721,000) and the weighted average of approximately 1,474,993,000 ordinary shares (2019: 1,448,003,000 ordinary shares) in issue during the year.

### (b) Diluted loss per share

#### *Weighted average number of ordinary shares*

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

Diluted loss per share for the year ended 31 December 2020 and 31 December 2019 is not presented as there were no other potential ordinary shares in issue for the year ended 31 December 2020.

## 10. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade and commercial bills receivables	53,521	291,586
Bank bills receivables	1,427	1,494
Other receivables	27,032	80,660
	<u>81,980</u>	<u>373,740</u>

### Ageing analysis of trade and commercial bills receivables

As at 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	3,837	9,380
1 to 3 months	8,236	30,709
4 to 6 months	29,469	69,398
Over 6 months	11,979	182,099
	<u>53,521</u>	<u>291,586</u>

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

### 11. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables ( <i>note (i)</i> )	29,201	35,205
Bills payables	19,978	19,788
Lease liabilities	772	861
Salaries, wage and welfare payable	6,086	11,396
Contract liabilities ( <i>note (ii)</i> )	12,822	13,796
Accrued corporate bond interest	10,286	6,584
Other payables	24,666	24,349
	<u>103,811</u>	<u>111,979</u>

*Notes:*

- (i) As at the end of the reporting period, the ageing analysis of trade payables, based on dates of goods delivery, is as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 month	<b>5,080</b>	7,616
1 to 3 months	<b>3,485</b>	4,885
Over 3 months	<b>20,636</b>	22,704
	<b>29,201</b>	35,205

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

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

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2020 includes the following qualified opinion and material uncertainty relating to going concern paragraphs:

## **QUALIFIED OPINION**

In our opinion, except for the matters mentioned in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR QUALIFIED OPINION**

At 31 December 2020, the carrying amount of the Group's interests in associates amounted to RMB42,881,000 and the principal assets of the associates are property units located in Malaysia, details of which are set out in note 17 to the consolidated financial statements. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether these property units are owned by the associates and impairment losses on these property units are required to be made in the financial statements of the associates. Any adjustments to be made against the property units held by the associates may have significant impact to the results of the associates and their net asset value, which in turn, may give rise to a significant impact on the loss of the Group for the year ended 31 December 2020 and the Group's net asset value as at that date.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 2 to the consolidated financial statements that the Group losses amounted to approximately RMB419,189,000 and RMB193,399,000 for the years ended 31 December 2020 and 31 December 2019 respectively, and the Group had net current liabilities amounted to approximately RMB2,167,000 as at 31 December 2020. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 2 to the consolidated financial statements, the directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the year ended 31 December 2020. For the self-operated retail pharmacies business, the Group continued to seek mergers and acquisitions opportunities in respect of established retail pharmacy chains in order to revitalize the business segment.

### **Revenue**

For the year ended 31 December 2020, the Group recorded a total revenue of RMB474.8 million, representing an decrease of approximately 43.8% from RMB845.4 million for last year. This decrease was primarily due to (i) the drop in revenue from the Group's pharmaceutical distribution to wholesalers due to vigorous competition; and (ii) the outbreak of the novel coronavirus (COVID-19) epidemic ("**Epidemic**") that has spread across China and other countries since early 2020 and it has adversely affected the business and economic activities of the Group. The factory of the Group in China was closed or under restricted operation for months during the year ended 31 December 2020.

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

The Group's cost of sales decreased by approximately 43.1% from RMB803.5 million for the year ended 31 December 2019 to RMB457.1 million for the year ended 31 December 2020. This decrease of cost of sales was in line with the decrease in revenue during the year ended 31 December 2020.

The Group's gross profit decreased by approximately 57.8% from RMB41.9 million for the year ended 31 December 2019 to RMB17.7 million for the year ended 31 December 2020. The Group's gross profit margin decreased from 5.0% for the year ended December 2019 to 3.7% for the year ended 31 December 2020. Such decrease is primarily attributable to increasing competition of pharmaceutical distribution to wholesalers. Also, such decrease is attributable to fixed cost (including staff cost and maintenance cost) incurred by factory of the Group during the period of closure or restricted operations.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses decreased by approximately 26.3% from RMB11.0 million for the year ended 31 December 2019 to RMB8.1 million for the year ended 31 December 2020. This decrease was in line with the decrease in revenue and reduction in selling and promotion activities due to the Epidemic.

Also, the Group had disposed of 2% equity interest and lost the control in the board of directors of 成都百信藥業連鎖有限責任公司 (for identification purpose only, Chengdu Pashun Pharmacy Chain Store Co., Ltd.) (“**Pa Shun Chain Store**”) on 30 June 2020 and 30 September 2020 respectively. After 30 September 2020, the Group held 49% equity interest and lost the control in the board of directors of Pa Shun Chain Store and Pa Shun Chain Store was recognized as interests in associates as at 31 December 2020. As a result, the selling and distribution expenses of the Group during the year ended 31 December 2020 decreased due to the disposal.

### **General and Administrative Expenses**

The Group's general and administrative expenses decreased by approximately 25.4% from RMB35.2 million for the year ended 31 December 2019 to RMB26.3 million for the year ended 31 December 2020. The decrease was attributable to the one off expenses of consultation, legal and professional fee incurred during the year ended 31 December 2019 arising from the acquisitions of two companies which indirectly hold interest in certain units located in the building called “The Apple” which is a multi-storey building located in Melaka, Malaysia. No such expenses were recorded during the year ended 31 December 2020.

In addition, the Group had cost budget control implemented in early 2020 and all the general and administrative expenses were reduced accordingly.

### **Other Income and Gains**

Other income and gains decreased by approximately 23.8% from RMB22.3 million for the year ended 31 December 2019 to RMB17.0 million for the year ended 31 December 2020. The decrease was attributable to decrease in franchise fee income from RMB8.2 million for the year ended 31 December 2019 to RMB3.4 million for the year ended 31 December 2020.

### **Other Net Loss**

The Group recorded other net loss of RMB414.6 million for the year ended 31 December 2020, representing an increase of approximately 110.1% from RMB197.3 million in last year. The significant increase in other net loss was mainly due to the recognition of impairment loss on trade and other receivables of approximately RMB328.9 million during the year ended 31 December 2020 (approximately RMB125.7 million for the year ended 31 December 2019), taking into account that it is currently expected that the Group would not be able to receive the overdue trade receivables of the Company from some of its customers in the PRC which businesses have been adversely affected by the Epidemic.

### **Finance Costs**

Finance costs decreased by approximately 2.8% from RMB11.9 million for the year ended 31 December 2019 to RMB11.5 million for the year ended 31 December 2020. The finance cost of the Group were mainly incurred from the corporate bonds payables and no material fluctuation was noted.

### **Loss Before Tax**

Loss before tax increased by approximately 123.5% from RMB190.5 million for the year ended 31 December 2019 to RMB425.8 million for the year ended 31 December 2020. The increase was primarily due to (i) the increase in other net losses and (ii) the decrease in gross profit, and offset with decrease in general and administrative expenses as disclosed above.

## **Income Tax Expense**

Income tax decreased from income tax expense of RMB2.9 million for the year ended 31 December 2019 to income tax credit of RMB6.6 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in taxable income from the PRC subsidiaries of the Company.

## **Loss for the Year**

As a result of the foregoing, the Group's loss for the year increased by approximately 116.7% from RMB193.4 million for the year ended 31 December 2019 to RMB419.2 million for the year ended 31 December 2020.

## **OUTLOOK**

Due to the Epidemic in the PRC, the economy of the PRC is seriously affected. Since many economic activities in the PRC are slowed down due to the Epidemic, and the factory of the Group was closed for around two months in the first quarter of 2020, thus the revenue and results of the Group for year ended 31 December 2020 was adversely affected. The Group will continue to leverage on its solid foundation in the PRC and make good use of its existing resources and networks to capture the opportunities to expand to other business through various business development strategies, at the same time diversify its business risk to other investment segments and other countries. In 2019, with the acquisition of two companies which indirectly hold interest in certain units located in the building called "The Apple" which is a multi-storey building located in Melaka, Malaysia, the Group made its first step to explore and invest in the Malaysia property market. Due to the Epidemic and lock down in Malaysia, the construction of the properties were delayed and the time of completion of construction was uncertain yet and may delay to 2023. The Company currently intends to hold the properties for investment purpose to generate rental income for the Group and will engage a local professional property manager to manage the properties and the leasing business upon the completion of construction of the properties. The Company will further seek other similar opportunities to reduce the operation risk of the Group.



## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents and pledged bank deposits of RMB15.3 million as at 31 December 2020 as compared with RMB26.0 million as at 31 December 2019.

The Group recorded net current liabilities of RMB2.2 million and net current asset of RMB439.9 million as at 31 December 2020 and 31 December 2019 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.99 as at 31 December 2020, as compared with 3.86 as at 31 December 2019. The net current liabilities of the Group as at 31 December 2020 has arisen from the reclassification of all corporate bonds payable to current liabilities, due to the breach of certain redemption default clauses of the corporate bonds.

As at 31 December 2020, the total amount of bank loans was RMB8.0 million, as compared with RMB6.0 million as at 31 December 2019.

As at 31 December 2020, the total number of issued ordinary shares of the Company was 1,474,992,908 shares (31 December 2019: 1,474,992,908 shares) (“**Shares**”). In 2018, the Company has granted to certain eligible persons share options (“**Options**”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 31 December 2020, 100,000,000 share options remained outstanding. Please refer to the announcements of the Company dated 7 September 2018 for details of the grant of the Options. No options were granted in 2019 and 2020.

During 2016 to 2018, the Company issued unsecured corporate bonds with principal amount of HK\$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. As at 31 December 2020, eleven corporate bonds with aggregate principal amount of HK\$30.2 million was matured and the Company repaid a matured corporate bond with principal amount of HK\$1 million during the year ended 31 December 2020. Subsequent to 31 December 2020, the Company further repaid HK\$4.8 million to the eleven matured corporate bonds.

As at 31 December 2020, interest payable on corporate bonds of approximately HK\$12.3 million was due and remained outstanding. Since the maturity dates of bonds principal and interests, the Company and the holders of the corporate bonds have engaged in numerous rounds of negotiations to seek to resolve the issue amicably, including extension of the maturity date and the due date of the interest payments, and repayments of principal and interests by installments.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group's long-term development. There were no changes in the Group's approach to capital management during the year ended 31 December 2020.

## **CONTINGENT LIABILITIES**

A petition (the "**Petition**") was filed on 16 November 2020 by Ms. Feng Lihua (the "**Petitioner**") against the Company in the High Court of the Hong Kong Special Administrative Region (the "**Court**") for an order that the Company be wound up by the Court. The Petition was filed against the Company for the Company's failure to settle the principal payment in the sum of HK\$10,000,000 due on 3 June 2020 in respect of the bond issued to the Petitioner by the Company as well as the interest accrued on the bond from 1 October 2019 to 30 September 2020 in the sum of HK\$650,000. The Petition was heard on 10 February 2021 as scheduled at the High Court before a Master. The Petitioner and the Company have reached settlement agreement 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. The Petition is adjourned to be heard by a Master at 3 p.m. on Wednesday, 9 June 2021.

As at 31 December 2020, except as disclosed above, 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**

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

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

## **HUMAN RESOURCES**

As at 31 December 2020, the Group had a total of 165 (31 December 2019: 170) staff, primarily in the PRC. The total staff cost was RMB11.3 million (31 December 2019: RMB12.7 million) for the year ended 31 December 2020.

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

## **DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (year ended 31 December 2019: Nil).

## **CORPORATE GOVERNANCE**

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as disclosed below, during the year ended 31 December 2020, the Company has complied with the code provisions set out in 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. From 1 January 2020 to 17 June 2020, Mr. Chen Yenfei was the chairman of the Board as well as the chief executive officer of the Company. He has extensive experience in medicine industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considered that vesting the roles of chairman and chief executive officer in the same individual was beneficial to the business prospects and management of the Group. The balance of power and authorities was ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals.

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

With effect from 31 July 2020, Mr. Wong Tak Shing (“**Mr. Wong**”) retired as an independent non-executive Director and ceased to be a member of each of the audit committee (“**Audit Committee**”) and the remuneration committee of the Board (“**Remuneration Committee**”) upon conclusion of the annual general meeting of the Company held on 31 July 2020. Following the retirement of Mr. Wong, the Company had only two independent non-executive Directors, two members of the Audit Committee and one member of the Remuneration Committee.

With effect from 1 October 2020, Mr. Lu Yongchao (“**Mr. Lu**”) has resigned as an independent non-executive Director and a member of each of the Audit Committee, the nomination committee (“**Nomination Committee**”) and the corporate governance committee (“**CG Committee**”) of the Board. Following the resignation of Mr. Lu on 1 October 2020, the Company only had one independent non-executive Director, one member of the Audit Committee, Nomination Committee and Remuneration Committee

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

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

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

With effect from 22 February 2021, (1) Professor Xiao Kai has been appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee; (2) Mr. Yang Bo has been appointed as an executive Director; (3) Mr. Cao Lei has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and the CG Committee, and a member of each of the Audit Committee and the Nomination Committee; (4) Mr. Ng Wai Tsan has been appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the CG Committee; and (5) Mr. Chen Yongsheng has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the CG Committee. As at the date of this announcement, the Board does not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who meets the same requirements under Rule 3.10(2) of the Listing Rules.

The Board currently comprises three executive Directors, three non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

With effect from 18 December 2020, Mr. Hung Hing Hung has resigned as the company secretary of the Company. As at the date of this announcement, the Company is in the course of identifying suitable candidate(s) to fill up the vacancies of the company secretary of the Company so as to meet the requirements under Rules 3.05 and 3.28 of the Listing Rules as soon as practicable. Following the resignation of Mr. Hung Hing Hung as the company secretary of the Company, there is breach of code provision A.5.1 of the CG Code which requires that all directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

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, Mr. Ng Wai Tsan and Mr. Chen Yongsheng. The chairman of the Audit Committee is Mr. Chen Yongsheng. 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 annual financial results for the year ended 31 December 2020.

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

## **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 year ended 31 December 2020.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board of Directors  
**Pa Shun International Holdings Limited**  
**Professor Xiao Kai**  
*Chairman and Executive Director*

Hong Kong, 31 March 2021

*As at the date of this announcement, the executive Directors are Professor Xiao Kai, Mr. Shen Shun and Mr. Yangbo; the non-executive Directors are Mr. Zhang Xiongfeng, Mr. Hu Haisong and Mr. Wu Guohua; and the independent non-executive Directors are Mr. Cao Lei, Mr. Ng Wai Tsan and Mr. Chen Yongsheng.*

*This annual 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 annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.*