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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 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Pa Shun International Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) announces that the audited annual consolidated results of the Group for the year ended 31 December 2022 together with the comparative figures for 2021 as follows:

**ANNUAL RESULTS HIGHLIGHTS**

- Revenue amounted to approximately RMB71,784,000 (2021: approximately RMB85,913,000).
- Loss for the year amounted to approximately RMB43,379,000 (2021: approximately RMB330,401,000).
- Basic and diluted loss per share were RMB2.94 cents (2021: RMB22.40 cents) and N/A (2021: N/A), respectively.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	3	71,784	85,913
Cost of sales		<u>(58,483)</u>	<u>(72,958)</u>
<b>Gross profit</b>		<b>13,301</b>	12,955
Other income and gains	4(a)	581	18,651
Other net losses	4(b)	(27,620)	(316,330)
Selling and distribution expenses		(6,046)	(8,793)
General and administrative expenses		(12,834)	(19,404)
Finance costs	5	<u>(10,541)</u>	<u>(10,496)</u>
<b>Loss before tax</b>	6	<b>(43,159)</b>	(323,417)
Income tax expense	7	<u>(220)</u>	<u>(6,984)</u>
<b>Loss for the year</b>		<b><u>(43,379)</u></b>	<b><u>(330,401)</u></b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2022*

	<i>NOTES</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Loss for the year</b>		<b>(43,379)</b>	(330,401)
<b>Other comprehensive expense 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")		<u>(13,639)</u>	<u>(6,083)</u>
<b>Total comprehensive expense for the year</b>		<b><u>(57,018)</u></b>	<b><u>(336,484)</u></b>
<b>Loss per share (in RMB cents)</b>	9		
Basic		<u>(2.94)</u>	<u>(22.4)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		2022	2021
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		35,536	38,180
Right-of-use assets		2,277	3,177
Interests in associates		–	–
Other intangible assets		56	111
Property development project		57,000	74,000
		<u>94,869</u>	<u>115,468</u>
<b>CURRENT ASSETS</b>			
Inventories		6,951	8,346
Trade and other receivables	10	17,128	31,703
Prepayments and deposits paid		14,411	9,403
Amount due from a shareholder		490	–
Amounts due from related parties		35	32
Income tax recoverable		300	–
Cash and cash equivalents		1,901	2,272
		<u>41,216</u>	<u>51,756</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	118,266	99,876
Bank borrowing		4,500	5,000
Amount due to a shareholder		–	933
Amounts due to related parties		616	568
Corporate bonds payable		82,525	76,583
Other borrowings		21,312	16,189
Income tax payable		–	1,433
		<u>227,219</u>	<u>200,582</u>
<b>NET CURRENT LIABILITIES</b>		<u>(186,003)</u>	<u>(148,826)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(91,134)</u>	<u>(33,358)</u>

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred income – government grant	<b>22,517</b>	23,029
Deferred tax liabilities	<b>1,869</b>	1,741
Lease liabilities	<u>–</u>	<u>374</u>
	<b>24,386</b>	<u>25,144</u>
<b>NET LIABILITIES</b>	<b><u>(115,520)</u></b>	<b><u>(58,502)</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>1,216</b>	1,216
Reserves	<u>(116,736)</u>	<u>(59,718)</u>
	<b><u>(115,520)</u></b>	<b><u>(58,502)</u></b>

*Notes:*

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

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

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

**Going concern**

Notwithstanding that the current liabilities of the Group at 31 December 2022 exceed the Group’s current assets at that date by RMB186,003,000, which includes the corporate bonds payable, other borrowings and bank borrowing amounted to RMB82,525,000, RMB21,312,000 and RMB4,500,000 respectively; the total liabilities of the Group at 31 December 2022 exceed the Group’s total assets at that date by RMB115,520,000 and that the Group incurred net loss amounted to RMB43,379,000 for the year ended 31 December 2022, the Directors of the Company consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures being/to be implemented:

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

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

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

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

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

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

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

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

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated Financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020 Cycle

The application of 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

### New and amendments to HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2022. These new and revised HKFRSs include the following which may be relevant to the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
HKFRS 17	Insurance contracts and the related Amendments <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>2</sup>
Amendments to HKFRS 16	Lease Liabilities in Sale and Leaseback <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2024

<sup>2</sup> Effective for accounting periods beginning on or after 1 January 2023

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

Except for the new and amendments to HKFRSs mentioned below, 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.



### *Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

### *Amendments to HKAS 8 Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

### 3. REVENUE

The principal activities of the Group are pharmaceutical distribution and manufacture of pharmaceutical products in the PRC.

Revenue represents the sales value of goods supplied to customers (which is recognised on the basis of “at a point in time”). The revenue of each significant segment is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Pharmaceutical distribution	50,333	61,889
Pharmaceutical manufacturing	21,451	24,024
	<u>71,784</u>	<u>85,913</u>

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

#### (a) Other income and gains

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	7	103
Deferred income – government grant	512	518
Gain on disposal of interest in an associate	–	16,344
Rental income	–	1,421
Others	62	265
	<u>581</u>	<u>18,651</u>

#### (b) Other net losses

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment loss on:		
Interests in associates	–	42,485
Inventories	347	1,892
Other intangible assets	–	24,069
Property development project	17,000	111,797
Trade receivables	4,066	41,405
Other receivables	5,276	40,859
Prepayments and deposits paid	929	57,027
Reversal of impairment loss on:		
Trade receivables	–	(290)
Other receivables	–	(3,000)
Write-off of property, plant and equipment	2	86
	<u>27,620</u>	<u>316,330</u>

## 5. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on:		
Bank borrowings	646	504
Corporate bonds payable	7,361	8,436
Other borrowings	2,494	1,504
Lease liabilities	40	52
	<u>10,541</u>	<u>10,496</u>

## 6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories ( <i>note i</i> )	55,999	72,958
Salaries, wages and other benefits	7,959	7,864
Contributions to defined contribution retirement plans	601	317
Total staff costs ( <i>note ii</i> )	8,560	8,181
Amortisation of intangible assets	56	2,560
Depreciation of property, plant and equipment	2,670	2,867
Depreciation of right-of-use assets	900	1,011
Auditors' remuneration		
Audit services	1,632	1,182
Non-audit services	–	–
	<u>–</u>	<u>–</u>

*Notes:*

- (i) Cost of inventories includes staff costs and depreciation expenses totalled RMB914,000 (2021: RMB955,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

## 7. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	92	603
Deferred tax		
Origination and reversal of temporary differences	<u>128</u>	<u>6,381</u>
	<u>220</u>	<u>6,984</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 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% (2021: 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. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2022 (2021: Nil) nor had any dividend been proposed since the end of the reporting period (2021: Nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to equity shareholders of the Company of RMB43,379,000 (2021: RMB330,401,000) and the weighted average of approximately 1,474,993,000 ordinary shares (2021: 1,474,993,000 ordinary shares) in issue during the year.

### (b) Diluted loss per share

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

Diluted loss per share for the year ended 31 December 2022 and 31 December 2021 is not presented as there were no other potential ordinary shares in issue for both years.

## 10. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and commercial bills receivables	10,091	15,413
Bank bills receivables	1,349	677
Other receivables	5,688	15,613
	<u>17,128</u>	<u>31,703</u>

### Trade and commercial bills receivables

#### *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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	10,091	5,322
1 to 3 months	–	6,037
4 to 6 months	–	4,054
Over 6 months	–	–
	<u>10,091</u>	<u>15,413</u>

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

## 11. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables ( <i>note (i)</i> )	33,434	27,878
Bills payables	–	3,470
Lease liabilities	374	865
Salaries, wage and welfare payable	15,580	8,033
Contract liabilities ( <i>note (ii)</i> )	22,560	21,295
Accrued corporate bond interest	19,532	13,863
Accrued interest for other borrowings	5,332	1,443
Other payables	21,454	23,029
	<u>118,266</u>	<u>99,876</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	5,948	4,587
1 to 3 months	4,240	4,610
Over 3 months	23,246	18,681
	<u>33,434</u>	<u>27,878</u>

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.

## 12. CONTINGENT LIABILITIES

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

- (a) A petition (the “**Petition**”) was filed on 16 November 2020 by Ms. Feng Lihua (the “**Petitioner**”) against the Company in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) for an order that the Company be wound up by the Court. The Petition was filed against the Company for the Company’s failure to settle the principal payment in the sum of HK\$10,000,000 due on 3 June 2020 in respect of the bond issued to the Petitioner by the Company as well as the interest accrued on the bond from 1 October 2019 to 30 September 2020 in the sum of HK\$650,000. The Petition was heard on 10 February 2021 as scheduled at the High Court before a Master. The Petitioner and the Company reached settlement agreement (“**Settlement Agreement**”) and the Petition is expected to be withdrawn by the Petitioner upon the Company’s full payment of the outstanding debt owed to the Petitioner. However, the Company did not fully comply with the Settlement Agreement and the Petitioner applied to the High Court to bring forward the hearing of the Petition. Subsequent to the year ended 31 December 2021, the Petition was dismissed by the High Court at the hearing on 17 January 2022.

- (b) A petition (the “**Petition**”) was filed on 30 May 2022 by Mr. Wu Yuehua (the “**Petitioner**”) against the Company in the High Court for an order that the Company be wound up by the High Court. The Petition was filed against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$2,390,000 in respect of the bond issued to the Petitioner by the Company.

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

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

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

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

### 13. EVENT AFTER THE REPORTING PERIOD

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

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

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

(b) A petition (the “**Petition**”) was filed on 6 March 2023 by Mr. Zhang Min (the “**Petitioner**”) against the Company in the Court of First Instance (the “**First Instance Court**”) of the Hong Kong for an order that the Company be wound up by the First Instance Court. The Petition was filed against the Company for the Company’s failure to settle the principal sum and interest payment in the total amount of approximately HK\$4,730,000 in respect of the bond issued to the Petitioner by the Company. The Petition was dismissed by the First Instance Court on 28 June 2023, details of which are set out in the announcement of the Company dated 9 March 2023, 10 May 2023 and 28 June 2023.

(c) **Restructuring and Scheme of Arrangement**

Since 2020, various winding-up petitions were presented against the Company. As at the date of this announcement, the Amended Petition filed by the Petitioner was struck out and the supporting creditor, Zhu Shunyun (“**Substituting Petition**”) was granted to substitute the petition (“**Re-Re-Amended Petition**”) remains subsisting. The Re-Re-Amended Petition was filed by a petitioner against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$2,573,424 in respect of the bond issued to the petitioner by the Company. The hearing of the Re-Re-Amended Petition is adjourned to 18 September 2023. As at the date of this announcement, the Company is in negotiation with the petitioner for an amicable settlement and the withdrawal of the said petition.

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

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

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

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

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



(d) **Establishment of Independent Investigation Committee**

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

As disclosed in the announcement of the Company dated 29 May 2023, a report on the Internal Control Review (“**Internal Control Review Report**”) and the report on the Investigation (“**Investigation Report**”) were completed. On 17 August 2023, the Board has resolved to establish an independent investigation committee (the “**Committee**”), initially comprising three independent non-executive Directors, namely Mr. Cao Lei, Ms. Li Yan and Mr. Khor Khie Liem Alex, for the purpose of, among other things, conducting a comprehensive forensic investigation into the Acquisitions; reporting and making recommendations to the Board on appropriate actions to be taken.

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

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

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

As informed by PTL, 753,040,000 Shares (the “**Charged Shares**”) were pledged by PTL in favour of the original chargee whose rights have been assigned to Win Win International Strategic Investment Funds SPC for the account and on behalf of Win Win Stable No. 3 Fund SP (the “**Chargee**”) to secure certain indebtedness of PTL, and on 27 July 2022, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited (the “**Receivers**”) were appointed as joint and several receivers and managers over the Charged Shares, which represented approximately 51.05% of the issued share capital of the Company. For the purpose of the Code on Takeovers and Mergers (the “**Takeovers Code**”), the offer period commenced on 3 August 2022.

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

Details regarding the aforementioned matters are set out in the announcements of the Company dated 3 August 2022, 5 September 2022, 5 October 2022, 7 November 2022, 7 December 2022, 9 January 2023, 9 February 2023 and 8 March 2023.

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2022 includes the following paragraphs regarding disclaimer of opinion (the "Disclaimer of Opinion"):

## **DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of Pa Shun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR DISCLAIMER OF OPINION**

### **(a) Multiple uncertainties relating to going concern**

As disclosed in note 1 to the consolidated financial statements, the net current liabilities and net liabilities of the Group at 31 December 2022 amounted to approximately RMB186,003,000 and RMB115,520,000 respectively, and the Group incurred net loss of approximately RMB43,379,000 for the year ended 31 December 2022.

The abovementioned conditions together with those set out in note 1 to the consolidated financial statements indicate the existence of material multiple uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the Scheme of Arrangement and other various measures to be undertaken by the Group, details of which are set out in note 1 to the consolidated financial statements. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion regarding the preparation of the consolidated financial statements on the going concern basis.

Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their net realisable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

**(b) Property development project**

The Group had a property development project with the carrying amount of approximately RMB57,000,000 and RMB74,000,000 at 31 December 2022 and 31 December 2021 respectively and an impairment losses on the property development project amounted to approximately RMB17,000,000 and RMB111,797,000 were recognised in profit and loss of the Group in respect of the current year ended 31 December 2022 and the prior year ended 31 December 2021 respectively and were included in other net losses. As detailed in our auditor's report dated 1 November 2023 with disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2021, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the amount of the impairment loss on the property development project were properly recognised on the consolidated financial statements for the prior year ended 31 December 2021. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the amount of the impairment losses on the property development project were properly recognised for the current year. Any adjustments, if required, to be made against the amount of impairment losses recognised might have a significant impact on the loss of the Group for the current year ended 31 December 2022 and the prior year ended 31 December 2021, and the carrying amounts of the property development project as at those dates. Our opinion on the Group's consolidated financial statements in respect of this matter is modified because of the possible effect of the matter on the comparability of the current year's figures and the corresponding figures for the prior year ended 31 December 2021.

**(c) Interests in associates**

As detailed in our auditor's report with disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2021, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the impairment losses on interests in the associates amounted to approximately RMB42,485,000 were properly recognised in the Group's profit and loss for the prior year ended 31 December 2021 and were included in other net losses or any impairment losses should have been attributable to the prior year ended 31 December 2020. Any adjustments, if required, to be made against the amount of impairment losses in the prior year ended 31 December 2021 or prior year's profit and loss might give rise to a significant impact to the net loss of the Group for the prior year ended 31 December 2021 and the Group's accumulated losses at 1 January 2021. Our opinion on the Group's consolidated financial statements in respect of this matter is modified because of the possible effect of the matter on the comparability of the current year's figures and the corresponding figures for the prior year ended 31 December 2021.

## **DETAILED PLAN TO ADDRESS THE DISCLAIMER OF OPINION**

### **The Scheme of Arrangement**

As disclosed by the Company in its announcement dated 8 September 2023 and 15 September 2023, the Company intends to restructure its overall indebtedness position in order to address its liquidity issue.

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

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

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

### **The management’s position and basis on the going concern basis**

The management of the Company is of the view that the Group will be able to continue to operate as a going concern. The Scheme Meeting was held on 18 October 2023. During the Scheme Meeting, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors present and voting in person or by proxy at the Scheme Meeting, have voted in favour of the Scheme of Arrangement. The Scheme of Arrangement was sanctioned by the High Court of Hong Kong on 1 November 2023. Once the Scheme becomes effective, a substantial part of the current liabilities will be reclassified as non-current liabilities. In addition to the Scheme of Arrangement, the Directors will closely monitor the financial position of the Group. While the results of operations continued to improve since early 2023 and generate stable and adequate cash flows for the Group, the Directors will also use their best endeavour to secure new financial resources by way of re-financing (whether secured or unsecured) and/or equity financing.

On a related note, given that the Directors consider that the Group can operate as a going concern, the disclaimer of opinion in relation to the valuation of the relevant property development project would likewise be resolved, since the valuation of the relevant properties on completion basis or market basis with the recoverable amount of the property where management believes that would not less than the carrying value, would then be appropriate and therefore sufficient audit evidence could be obtained in this regard.

Further, the disclaimer of opinion concerning the Group's interests in associates will not recur. This is attributable to the full impairment that was already implemented during the financial year ended on 31 December 2021, which consequently resulted in the carrying value of the Group's interests in those associates being reduced to nil as of 31 December 2022. It is pertinent to note that the disclaimer of opinion for the financial year 2022 was issued solely due to the inclusion of comparable figures from the financial year 2021 into the annual results for the financial year 2022. Given that these comparative figures will not be included in the annual results for the financial year 2023, there will be no recurrence of the relevant disclaimer of opinion related to interests in associates.

The management of the Company understands that the Disclaimer of Opinion was resulted from the auditors not being able to obtain sufficient appropriate audit evidence to satisfy themselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements mainly since the current liabilities of the Group exceeded its current assets. Further, the Company has also returned to profit position in the six months ended 30 June 2023. In this regard, based on the management's discussion with the auditors, the management is optimistic that the underlying matters leading to the Disclaimer of Opinion could be resolved through the implementation of the Scheme of Arrangement.

The audit committee concur with the views as stated above.

## **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 2022.

### **Revenue**

For the year ended 31 December 2022, the Group recorded a total revenue of RMB71.8 million, representing a decrease of approximately 16.4% from RMB85.9 million for 2021. Such decrease was primarily due to (i) the decrease in the amount of products available for sales as the Group's purchasing capabilities were limited by the liquidity issue faced by the Group during the year; and (ii) the outbreak of the novel coronavirus (COVID-19) epidemic ("**Epidemic**") that has spread across China and worldwide, which has adversely affected the business and economic activities of the Group.

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

The Group's cost of sales decreased by approximately 19.8% from RMB73.0 million for the year ended 31 December 2021 to RMB58.5 million for the year ended 31 December 2022. Such decrease of cost of sales was in line with the decrease in revenue during the year.

The Group's gross profit increased by approximately 2.7% from RMB13.0 million for the year ended 31 December 2021 to RMB13.3 million for the year ended 31 December 2022. The Group's gross profit margin increased from 15.1% for the year ended 31 December 2021 to 18.5% for the year ended 31 December 2022. Such change is primarily attributable to the shift of focus of its pharmaceutical distribution business from wholesaler customers to hospital customers where the Group could sell at higher margin.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses decreased by approximately 31.2% from RMB8.8 million for the year ended 31 December 2021 to RMB6.0 million for the year ended 31 December 2022. The decrease was in line with the decrease in the business volume of the Group under the Epidemic.

### **General and Administrative Expenses**

The Group's general and administrative expenses decreased by approximately 33.9% from RMB19.4 million for the year ended 31 December 2021 to RMB12.8 million for the year ended 31 December 2022. The decrease was attributable to the decrease in the Group's workforce and stringent cost control measures under the Epidemic.

### **Other Income and Gains**

Other income and gains decreased from RMB18.7 million for the year ended 31 December 2021 to RMB0.6 million for the year ended 31 December 2022. The decrease was primary attributable to the gain of RMB16.3 million recognised upon the disposal of an associate, 成都百信藥業連鎖有限責任公司 (Chengdu Pashun Pharmacy Chain Store Co., Ltd.\*) during the year ended 31 December 2021, and no such disposal was noted in 2022.

### **Other Net Losses**

Other net losses decreased from RMB316.3 million for the year ended 31 December 2021 to RMB27.6 million for the year ended 31 December 2022, which are mainly due to the below reasons,

- (i) impairment of interest in associates of approximately RMB42.5 million during the year ended 31 December 2021, which represents the investment in 49% equity interest in Awesome Applause Sdn. Bhd. ("AASB") and Massive Goodwill Sdn. Bhd. ("MGSB"). The principal assets of AASB and MGSB are property units in Malaysia, which comprised 48 units and 20 units of properties located in Melaka, Malaysia respectively. Since the sales and purchases agreements of the acquisitions of the 48 units and 20 units of properties were terminated by the developer in April 2022, the Board considered full impairment should be made on the investment in AASB and MGSB. No such impairment was noted for the year ended 31 December 2022;

- (ii) impairment of other intangible assets of RMB24.0 million during the year ended 31 December 2021, which comprise three patents of “一種適合腎臟病人食用面製品及其加工方法”, “一種脫蛋大米加工方法” and “一種適合腎臟病人食用再制米及其加工方法”. During the year ended 31 December 2021, the management of the Group conducted a review of the commercial viability of the patents by an independent valuer, B.I. Appraisals Limited (“**B.I.**”) and is of the view that the products attributable to this technology cannot be marketable. Accordingly, impairment losses on the intangible assets amounted to RMB24,006,000 were recognised in profit or loss during the year ended 31 December 2021. No such impairment was noted for the year ended 31 December 2022; and
- (iii) impairment on property development project of RMB111.8 million during the year ended 31 December 2021. There was no progress for the property development project during the year ended 31 December 2021 up to the date of this announcement. During the year ended 31 December 2021, the management of the Group conducted impairment assessment of value on the land by an independent firm of professional valuers with recognised qualifications and experiences, B.I., based on market-based approach methodology for the land and impairment loss amounted to RMB111.8 million was recognised on profit or loss during the year end 31 December 2021. Since the property market in the PRC get worse during the year ended 31 December 2022 and in accordance with the valuation report from B.I., further impairment of RMB17.0 million was made on the property development project during the year ended 31 December 2022.

## **Finance Costs**

Finance costs remained relatively stable at RMB10.6 million for the year ended 31 December 2022 (2021: RMB10.5 million). Finance costs of the Group mainly comprises of interests accrued on the corporate bonds payables and bank and other borrowings of the Group.

## **Loss for the Year**

As a result of the foregoing, the Group’s loss for the year decreased by approximately 86.9% from RMB330.4 million for the year ended 31 December 2021 to RMB43.4 million for the year ended 31 December 2022.

## **OUTLOOK**

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

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

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB1.9 million as at 31 December 2022 as compared to RMB2.3 million as at 31 December 2021.

The Group recorded net current liabilities of RMB186.0 million and RMB148.8 million as at 31 December 2022 and 31 December 2021 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.18 as at 31 December 2022, as compared with 0.26 as at 31 December 2021. The net current liabilities of the Group as at 31 December 2022 has arisen from (i) the decrease in trade and other receivables; (ii) the increase in trade and other payables; (iii) the increase in corporate bonds payable; and (iv) the increase in other borrowings in the year under review.

As at 31 December 2022, the total amount of bank borrowing was RMB4.5 million, as compared to RMB5.0 million as at 31 December 2021. As at 31 December 2022, the total amounts of other borrowings was RMB21.3 million (2021: RMB16.2 million).

As at 31 December 2022, the total number of issued ordinary shares of the Company (“**Shares**”) was 1,474,992,908 Shares (2021: 1,474,992,908 Shares). In 2018, the Company has granted to certain eligible persons share options (“**Options**”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 31 December 2022, 100,000,000 Options remained outstanding. Please refer to the announcement of the Company dated 7 September 2018 for details of the grant of the Options. No Options were granted in 2021 and 2022.

During the period between 2016 and 2018, the Company issued unsecured corporate bonds with principal amount of HK\$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. As at 31 December 2022, 17 corporate bonds with aggregate principal amount of HK\$50.7 million matured and the Company has outstanding unpaid principal amount of HK\$35.1 million of matured corporate bonds as at 31 December 2022.

As at 31 December 2022, interest payable on corporate bonds of approximately HK\$19.5 million was due and remained outstanding. Since the maturity dates of bonds principals and interests, the Company and the holders of the corporate bonds have engaged in numerous rounds of negotiations to seek to resolve the issue amicably, including extension of the maturity date and the due date of the interest payments, and repayments of principal and interests by installments.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group’s long-term development. There were no changes in the Group’s approach to capital management during the year ended 31 December 2022.



## CONTINGENT LIABILITIES

A petition (the “**2020 Petition**”) was filed on 16 November 2020 by Ms. Feng Lihua (the “**2020 Petitioner**”) against the Company in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) for an order that the Company be wound up by the High Court. The 2020 Petition was filed against the Company for the Company’s failure to settle the principal payment in the sum of HK\$10,000,000 due on 3 June 2020 in respect of the bond issued to the 2020 Petitioner by the Company as well as the interest accrued on the bond from 1 October 2019 to 30 September 2020 in the sum of HK\$650,000. The 2020 Petitioner and the Company reached settlement agreement (“**Settlement Agreement**”) and the 2020 Petition is expected to be withdrawn by the 2020 Petitioner upon the Company’s full payment of the outstanding debt owed to the 2020 Petitioner. However, the Company did not fully comply with the Settlement Agreement and the 2020 Petitioner applied to the High Court to bring forward the hearing of the 2020 Petition. The 2020 Petition was dismissed by the High Court at the hearing on 17 January 2022.

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

A petition (the “**2022 Petition**”) was filed on 30 May 2022 by Mr. Wu Yuehua (the “**2022 Petitioner**”) against the Company in the High Court for an order that the Company be wound up by the High Court. The 2022 Petition was filed against the Company for the Company’s failure to settle the principal sum and interest payment with total sum of HK\$2,390,000 in respect of the bond issued to the 2022 Petitioner by the Company. On 6 March 2023, the 2022 Petition filed by the 2022 Petitioner was struck out and the supporting creditor, Opera Enterprise Limited (“**Opera**”) was granted leave to substitute the 2022 Petitioner. An amended petition (“**Amended Petition**”) was filed by Opera against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$842,706.75 in respect of the bond issued to Opera by the Company. Further, on 24 July 2023, the Amended Petition was struck out and the supporting creditor, Zhu Shunyun (“**Substituting Petitioner**”), was granted leave to substitute the 2022 Petitioner. A re-re-amended petition (“**Re-Re-Amended Petition**”) was filed by the Substituting Petitioner against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$2,573,424.66 in respect of the bond issued and held by the Substituting Petitioner by the Company. The hearing of the Re-Re-Amended Petition is adjourned to 20 November 2023. As at the date of this announcement, the Company was in negotiation with the Substituting Petitioner for the withdrawal of the said petition. Nevertheless, the Scheme of Arrangement was sanctioned by the High Court on 1 November 2023. The High Court has indicated that, on the basis of the undertaking given by the Company, the court considered that there is sufficient assurance that the Scheme of Arrangement will proceed with the result that all creditors will receive various payments provided for under the Scheme of Arrangement and will be able to resolve insolvency status and there is no further basis for the Substituting Petitioner to maintain that the Company is insolvent and should be wound up by the court. The High Court requested the Substituting Petitioner to act reasonably and indicate her consent to the

dismissal of the Re-Re-Amended Petition so as to dispense with the parties' attendance and the court will be able to pronounce the order dismissing the Re-Re-Amended Petition without either hearing the Company or the Substituting Petitioner. This is a matter that should be dealt with by way of consent summons.

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

As at 31 December 2022, except as disclosed above, the Group did not have any significant contingent liabilities.

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

As disclosed in the Company's announcement dated 30 September 2019, the Company has been informed by Praise Treasure Limited ("**PTL**"), a controlling shareholder of the Company that 753,040,000 Shares (the "**2019 Charged Shares**") were pledged by PTL in favour of Winwin International Strategic Investment Funds SPC (acting for and on behalf of Win Win Stable No.1 Fund SP) to secure certain indebtedness of PTL. On 27 September 2019, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited ("**2019 Receivers**") were appointed as joint and several receivers and managers over the 2019 Charged Shares. The 2019 Charged Shares represent approximately 51.05% of the issued share capital of the Company as at the date of this announcement.

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

## **FOREIGN EXCHANGE RISKS**

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

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

During the year ended 31 December 2022, the Group did not make any significant investments, acquisitions or disposals that was required to be disclosed under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## **HUMAN RESOURCES**

As at 31 December 2022, the Group had a total of 92 (31 December 2021: 95) staff, primarily in the PRC. The total staff cost was RMB8.6 million (2021: RMB8.2 million) for the year ended 31 December 2022.

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

## **DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

## **CORPORATE GOVERNANCE**

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules which was effective during the year as its own code of corporate governance. Save as disclosed below, during the year ended 31 December 2022, the Company has complied with the code provisions set out in the CG Code.

Under the code provision C.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Upon the expiry of previous directors and officers liability insurance on 18 June 2021, the Company did not arrange any new insurance cover in respect of potential legal actions against its Directors. The management of the Group believe that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual lawsuits against the Directors is remote. The Company will consider making insurance arrangement as and when it thinks necessary.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions ("**Model Code**"). Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code for the year ended 31 December 2022.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **EVENTS AFTER THE REPORTING PERIOD**

### **(1) Restructuring and Scheme of Arrangement**

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

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

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

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

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

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

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

## (2) **Establishment of Independent Investigation Committee**

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

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

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

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

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

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

As informed by PTL, 753,040,000 Shares (the “**Charged Shares**”) were pledged by PTL in favour of the original chargee whose rights have been assigned to Win Win International Strategic Investment Funds SPC for the account and on behalf of Win Win Stable No. 3 Fund SP (the “**Chargee**”) to secure certain indebtedness of PTL, and on 27 July 2022, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited (the “**Receivers**”) were appointed as joint and several receivers and managers over the Charged Shares, which represented approximately 51.05% of the issued share capital of the Company. For the purpose of the Code on Takeovers and Mergers (the “**Takeovers Code**”), the offer period commenced on 3 August 2022.

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

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

Save as disclosed above and in the paragraph headed “Contingent Liabilities” in the Management Discussion and Analysis section of this announcement, the Board is not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

## REVIEW OF RESULTS

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Cao Lei, Ms. Li Yan and Mr. Khor Khie Liem Alex. The chairman of the Audit Committee is Ms. Li Yan. The Audit Committee has reviewed with the management and auditor 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 2022.

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditor, CCTH CPA Limited, to the amounts set out in the Group's audited financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CCTH CPA Limited on the preliminary announcement.

## CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1:18 p.m. on 12 May 2022 and will continue to be suspended until further notice.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares and other securities of the Company.**

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

Hong Kong, 1 November 2023

*As at the date of this announcement, the executive Directors are Professor Xiao Kai, Mr. Yuan Hongbing and Mr. Feng Junzheng; the non-executive Directors are Mr. Zhang Tong and Mr. Chen Yunwei; and the independent non-executive Directors are Mr. Cao Lei, Ms. Li Yan and Mr. Khor Khie Liem Alex.*

*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 2022 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.*