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百信集团  
PASHUN GROUP

## **Pa Shun International Holdings Limited**

百信國際控股有限公司

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

**(Stock Code: 574)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the announcement of Pa Shun International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2022 in relation to the unaudited annual results for the year ended 31 December 2021 (the “**Unaudited Results Announcement**”) and the announcements of the Company dated 28 March 2022, 21 April 2022, 12 May 2022, 24 June 2022, 21 July 2022, 27 October 2022, 29 November 2022, 30 January 2023, 14 March 2023, 21 April 2023, 28 April 2023, 5 May 2023, 29 May 2023 and 31 August 2023, in relation to, among others, the delay in publication of the Company’s audited annual results announcement for the year ended 31 December 2021 and despatch of the annual report of the Company for the year ended 31 December 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that the audited annual consolidated results of the Group for the year ended 31 December 2021 together with the comparative figures for 2020 are as follows:

#### **ANNUAL RESULTS HIGHLIGHTS**

- Revenue amounted to approximately RMB85,913,000 (2020: approximately RMB474,835,000).
- Loss for the year amounted to approximately RMB330,401,000 (2020: approximately RMB419,189,000).
- Basic and diluted loss per share were RMB22.40 cents (2020: RMB28.37 cents) and N/A (2020: N/A), respectively.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	NOTES	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	3	85,913	474,835
Cost of sales		<u>(72,958)</u>	<u>(457,138)</u>
<b>Gross profit</b>		<b>12,955</b>	17,697
Other income and gains	4(a)	18,651	16,991
Other net losses	4(b)	(316,330)	(414,576)
Selling and distribution expenses		(8,793)	(8,085)
General and administrative expenses		(19,404)	(26,268)
Finance costs	5	<u>(10,496)</u>	<u>(11,520)</u>
<b>Loss before tax</b>	6	<b>(323,417)</b>	(425,761)
Income tax (expense)/credit	7	<u>(6,984)</u>	<u>6,572</u>
<b>Loss for the year</b>		<u><b>(330,401)</b></u>	<u>(419,189)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		(330,401)	(418,454)
Non-controlling interests		<u>–</u>	<u>(735)</u>
<b>Loss for the year</b>		<u><b>(330,401)</b></u>	<u><b>(419,189)</b></u>

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

*For the year ended 31 December 2021*

		<b>Year ended 31 December</b>	
		<b>2021</b>	2020
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Loss for the year</b>		<b>(330,401)</b>	(419,189)
<b>Other comprehensive (expense)/income 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>(6,083)</u>	<u>13,670</u>
<b>Total comprehensive expense for the year</b>		<u><b>(336,484)</b></u>	<u>(405,519)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(336,484)</b>	(404,784)
Non-controlling interests		<u>–</u>	<u>(735)</u>
<b>Total comprehensive expense for the year</b>		<u><b>(336,484)</b></u>	<u>(405,519)</u>
<b>Loss per share (in RMB cents)</b>			
Basic	9	<u><b>(22.40)</b></u>	<u>(28.37)</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>NOTES</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>38,180</b>	40,910
Right-of-use assets		<b>3,177</b>	4,188
Interests in associates		–	42,881
Other intangible assets		<b>111</b>	26,677
Property development project		<b>74,000</b>	185,797
Deferred tax assets		–	4,640
		<b>115,468</b>	305,093
<b>CURRENT ASSETS</b>			
Inventories		<b>8,346</b>	17,950
Trade and other receivables	10	<b>31,703</b>	81,980
Prepayments and deposits paid		<b>9,403</b>	82,548
Amounts due from related parties		<b>32</b>	85
Income tax recoverable		–	180
Pledged bank deposits		–	10,087
Cash and cash equivalents		<b>2,272</b>	5,262
		<b>51,756</b>	198,092
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>99,876</b>	99,023
Bank borrowing		<b>5,000</b>	8,000
Amount due to a shareholder		<b>933</b>	550
Amounts due to associates		–	2
Amounts due to related parties		<b>568</b>	145
Corporate bonds payable		<b>76,583</b>	87,751
Other borrowings		<b>16,189</b>	4,788
Income tax payable		<b>1,433</b>	–
		<b>200,582</b>	200,259
<b>NET CURRENT LIABILITIES</b>		<b>(148,826)</b>	(2,167)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(33,358)</b>	302,926

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred income – government grant	23,029	23,541
Deferred tax liabilities	1,741	–
Lease liabilities	374	1,403
	<u>25,144</u>	<u>24,944</u>
<b>NET (LIABILITIES)/ASSETS</b>	<b><u>(58,502)</u></b>	<b><u>277,982</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	1,216	1,216
Reserves	(59,718)	276,766
	<u>(58,502)</u>	<u>277,982</u>

*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 2021 exceed the Group’s current assets at that date by RMB148,826,000, which includes the corporate bonds payable, other borrowings and bank borrowing amounted to RMB76,583,000, RMB16,189,000 and RMB5,000,000 respectively; the total liabilities of the Group at 31 December 2021 exceed the Group’s total assets at that date by RMB58,502,000 and that the Group incurred net loss amounted to RMB330,401,000 for the year ended 31 December 2021, 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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institutes of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

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

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

HKFRS 3 (Amendments)	Reference to the Conceptual Framework <sup>1</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>
HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies <sup>2</sup>
HKAS 8 (Amendments)	Definition of Accounting Estimates <sup>2</sup>
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback <sup>4</sup>
Amendments to HKAS 1	Non-current liabilities with covenants <sup>4</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

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

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

<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 January 2024.

Except as stated, 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

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Pharmaceutical distribution	61,889	447,106
Pharmaceutical manufacturing	24,024	27,729
	<u>85,913</u>	<u>474,835</u>

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

#### (a) Other income and gains

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Gain on disposal of interest in an associate	16,344	–
Rental income	1,421	–
Bank interest income	103	45
Deferred income – government grant	518	512
Franchise fee	–	3,357
Interest income from loan receivables	–	3,099
Gain on disposal of subsidiary	–	5,908
Reversal of write-off of other payables	–	(541)
Net foreign exchange gains	–	57
Royalty fee income	–	4,000
Others	265	554
	<u>18,651</u>	<u>16,991</u>

(b) Other net losses

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment loss on:		
Property, plant and equipment	–	7,200
Interests in associates	42,485	6,088
Inventories	1,892	–
Other intangible assets	24,069	–
Property development project	111,797	–
Trade receivables	41,405	242,887
Other receivables	40,859	62,407
Prepayments and deposits paid	57,027	102,237
Reversal of impairment loss on:		
Trade receivables	(290)	(6,263)
Other receivables	(3,000)	–
Write-off of property, plant and equipment	86	20
	<u>316,330</u>	<u>414,576</u>

5. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on:		
Bank borrowings	504	671
Corporate bonds payable	8,436	10,664
Other borrowings	1,504	98
Lease liabilities	52	87
	<u>10,496</u>	<u>11,520</u>

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories ( <i>note i</i> )	72,958	457,138
Salaries, wages and other benefits	7,864	11,002
Contributions to defined contribution retirement plans	317	342
Total staff costs ( <i>note ii</i> )	8,181	11,344
Amortisation of intangible assets	2,560	2,614
Depreciation of property, plant and equipment	2,867	2,909
Depreciation of right-of-use assets	1,011	1,393
Auditors' remuneration		
Audit services	1,182	1,182
Non-audit services	–	160
	<u>8,181</u>	<u>11,344</u>

Notes:

- (i) Cost of inventories includes staff costs and depreciation expenses totalled RMB955,000 (2020: RMB1,069,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

## 7. INCOME TAX (EXPENSE)/CREDIT

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax (expense)/credit		
PRC Enterprise Income Tax	(603)	7,275
Deferred tax		
Origination and reversal of temporary differences	(6,381)	(703)
	<u>(6,984)</u>	<u>6,572</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% (2020: 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.

No provision for PRC Enterprise Income Tax was recognised for the prior year ended 31 December 2020 as the Group has no profit for that year which are assessable to the PRC tax. The credit to PRC Enterprise Income Tax for the prior year represents overprovision for the PRC tax in prior years.

## 8. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2021 (2020: Nil) nor had any dividend been proposed since the end of the reporting period (2020: 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 RMB330,401,000 (2020: RMB418,454,000) and the weighted average of approximately 1,474,993,000 ordinary shares (2020: 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 2021 and 31 December 2020 is not presented as there were no other potential ordinary shares in issue for both years.

## 10. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and commercial bills receivables	15,413	53,521
Bank bills receivables	677	1,427
Other receivables	15,613	27,032
	<u>31,703</u>	<u>81,980</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	5,322	3,837
1 to 3 months	6,037	8,236
4 to 6 months	4,054	29,469
Over 6 months	–	11,979
	<u>15,413</u>	<u>53,521</u>

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

## 11. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables ( <i>note (i)</i> )	27,878	29,201
Bills payables	3,470	19,978
Lease liabilities	865	772
Salaries, wage and welfare payable	8,033	6,086
Contract liabilities ( <i>note (ii)</i> )	21,295	12,822
Accrued corporate bond interest	13,863	10,286
Accrued interest for other borrowings	1,443	–
Other payables	23,029	19,878
	<u>99,876</u>	<u>99,023</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	4,587	5,080
1 to 3 months	4,610	3,485
Over 3 months	18,681	20,636
	<u>27,878</u>	<u>29,201</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 2021, except as disclosed below, there were no legal claims against the Group at that date.

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

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

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

The total outstanding sum claimed by the Petitioner has been included in the corporate bonds payable as at 31 December 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.

- (d) A petition (the “**Petition**”) was filed by 湖南省第六工程有限公司 (Hunan Province The Sixth Engineering Company Limited) (the “**Petitioner**”) in the Sichuan Province Chengdu Intermediate People’s Court against Chengdu Yiming Investment Management Company Limited (“**Chengdu Yiming**”) and a subsidiary of the Company for the Group’s failure to settle the outstanding payable and interest payment in the total amount of approximately RMB24,657,000 regarding to the contract amount for property development project in respect of the project development of the logistic centre in the PRC.

On 10 September 2021, the Group received a judgement from Sichuan Province Chengdu Intermediate People’s Court, pursuant to which Chengdu Yiming has to pay the outstanding sum and release the subsidiary of the Company in relation to the claim and the legal costs of the court were borne by Chengdu Yiming. No provision for this legal litigation has been made in the consolidated financial statements.

### 13. EVENT AFTER THE REPORTING PERIOD

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

- (a) On 11 January 2022, the Company has received a letter from the receivers that the receivers have ceased to act as joint and several receivers and managers over the charged shares held by a controlling shareholder, Praise Treasure Limited with effect from 10 January 2022.
- (b) On 16 November 2020, the petition was filed by Ms. Feng Lihua (the “**Petitioner**”) against the Company in the High Court of Hong Kong for an order that the Company be wound up by the court, 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 and the interest accrued on the bond from 1 October 2019 to 30 September 2020 in the sum of HK\$650,000. The petition was dismissed by the Court at the hearing on 17 January 2022. Details regarding the petition are set out in the announcements of the Company dated 17 December 2020, 6 January 2021, 18 February 2021, 4 May 2021, 9 July 2021 and 2 November 2021.
- (c) On 8 April 2022, the associates of the Group, Awesome Applause and Massive Goodwill, entered into certain agreements with the developer of the properties held by the associates under which 68 units of properties located in Melaka, Malaysia, was terminated by the developer due to the failure to settle the outstanding sum in accordance with the respective terms as stated in the Sales & Purchase Agreement.

For further details, please refer to announcements of the Company dated 31 May 2022, 10 August 2022, 28 September 2022 and 16 January 2023.

- (d) On 10 August 2022, the subsidiary of the Company has entered into an agreement with contracting parties to cancel the agreement dated on 9 March 2021 in relation to the property development project of the logistics centre in the PRC.
- (e) 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.

(f) 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.

(g) **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.

**(h) 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.

**(i) 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 2021 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 2021, 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 obtain sufficient appropriate audit evidence to provide a basis for 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 2021 amounted to approximately RMB148,826,000 and RMB58,502,000 respectively, and the Group incurred net loss of approximately RMB330,401,000 for the year ended 31 December 2021.

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) Interests in associates**

As detailed in our auditor's report dated 31 March 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, we expressed a qualified opinion in respect of the Group's interests in associates amounted to approximately RMB42,881,000 as at 31 December 2020 because we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether (i) the property units held by the associates were beneficially owned by the associates, Awesome Applause Sdn. Bhd. and Massive Goodwill Sdn. Bhd., and (ii) impairment losses were required to be made on these property units by the associates. Any adjustments to be made against the property units held by the associates might have significant impact to the results of the associates, which in turn, might give rise to a significant impact on the loss of the Group for the prior year ended 31 December 2020 and the Group's net assets value as at that date.

Management of the Group, having conducted an assessment of the recoverable amounts of the Group's interests in the associates, considered it appropriate to make impairment losses in full against its carrying amount amounted to approximately RMB42,485,000 which were charged to the Group's profit and loss for the year then ended 31 December 2021 and was included in other net losses.

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 current year ended 31 December 2021 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 current year's profit and loss or prior year's profit and loss might have a significant impact on the loss of the Group for the year ended 31 December 2021 and the accumulated losses at 1 January 2021. Our opinion on the Group's consolidated financial statements is also modified because of the possible effect of the aforementioned matters on the comparability of the current year's figures and the corresponding figures for the prior year ended 31 December 2020.

(c) **Property development project**

The Group had property development project with the carrying amount of approximately RMB74,000,000 as at 31 December 2021 and impairment loss on the property development project amounted to approximately RMB111,797,000 was recognised in profit and loss of the Group in respect of the current year and was included in other net losses. 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 in the consolidated financial statements. Any adjustments to be made against the amount of impairment loss recognised might have a significant impact on the loss of the Group for the current year ended 31 December 2021 and the carrying amount of the property development project as at that date.

**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 property development project would likewise be resolved, since the valuation of the relevant property 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.

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.

## MATERIAL DIFFERENCES BETWEEN THE ANNUAL RESULTS IN THE UNAUDITED RESULTS ANNOUNCEMENT AND THE ANNUAL RESULTS IN THIS ANNOUNCEMENT

Taking into account that the financial information contained in the Unaudited Results Announcement has not been audited and has not been agreed with the Company's auditors as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the material differences between the annual results set out in the Unaudited Results Announcement and the annual results disclosed in this announcement, the principal details and reasons for which pursuant to Rule 13.49(3)(ii)(b) of the Listing Rules are set out below:

	Audited results <i>RMB'000</i>	Unaudited results <i>RMB'000</i>	Differences <i>RMB'000</i>	<i>Explanatory note</i>
Revenue	85,913	86,426	(513)	
Cost of sales	<u>(72,958)</u>	<u>(73,471)</u>	<u>513</u>	
<b>Gross profit</b>	12,955	12,955	–	
Other income and gains	18,651	13,466	5,185	(l)
Other net losses	(316,330)	(40,103)	(276,227)	(a),(b),(c), (e),(f)
Selling and distribution expenses	(8,793)	(8,491)	(302)	
General and administrative expenses	(19,404)	(16,851)	(2,553)	(j)
Finance costs	<u>(10,496)</u>	<u>(14,951)</u>	<u>4,455</u>	(k)
<b>Loss before tax</b>	<u>(323,417)</u>	<u>(53,975)</u>	<u>(269,442)</u>	
Income tax expense	<u>(6,984)</u>	<u>(408)</u>	<u>(6,576)</u>	(d)
Loss for the year	<u>(330,401)</u>	<u>(54,383)</u>	<u>(276,018)</u>	
<b>Other comprehensive (expense)/income 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>(6,083)</u>	<u>(6,607)</u>	<u>524</u>	
<b>Total comprehensive expense for the year</b>	<u><u>(336,484)</u></u>	<u><u>(60,990)</u></u>	<u><u>(275,494)</u></u>	

	<b>Audited results</b>	<b>Unaudited results</b>	<b>Differences</b>	<i>Explanatory note</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	38,180	39,522	(1,342)	
Right-of-use assets	3,177	3,696	(519)	
Interests in associates	–	42,485	(42,485)	(a)
Other intangible assets	111	25,231	(25,120)	(b)
Property development project	74,000	185,797	(111,797)	(c)
Deferred tax assets	–	4,640	(4,640)	(d)
	<u>115,468</u>	<u>301,371</u>	<u>(185,903)</u>	
<b>CURRENT ASSETS</b>				
Inventories	8,346	10,237	(1,891)	
Trade and other receivables	31,703	66,730	(35,027)	(e)
Prepayments and deposits paid	9,403	87,974	(78,571)	(f)
Amounts due from related parties	32	2	30	
Pledged bank deposits	–	–	–	
Cash and cash equivalents	2,272	2,272	–	
Income tax recoverable	–	–	–	
	<u>51,756</u>	<u>167,215</u>	<u>(115,459)</u>	
<b>CURRENT LIABILITIES</b>				
Trade and other payables	99,875	126,552	(26,677)	(g)
Bank borrowings	5,000	7,858	(2,858)	(h)
Amount due to a shareholder	933	542	391	
Amounts due to associates	–	2	(2)	
Amounts due to related parties	568	238	330	
Corporate bonds payable	76,583	77,211	(628)	
Other borrowings	16,189	14,094	2,095	(i)
Income tax payable	1,433	1,237	196	
	<u>200,581</u>	<u>227,734</u>	<u>(27,153)</u>	
<b>NET CURRENT LIABILITIES</b>	<u>(148,825)</u>	<u>(60,519)</u>	<u>(88,306)</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>(33,357)</u>	<u>240,852</u>	<u>(274,209)</u>	

	<b>Audited results</b>	<b>Unaudited results</b>	<b>Differences</b>	<i>Explanatory note</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
<b>NON-CURRENT LIABILITIES</b>				
Deferred income – government grant	23,029	23,029	–	
Deferred tax liability	1,741	–	1,741	(d)
Lease liabilities	374	829	(455)	
	<u>25,144</u>	<u>23,858</u>	<u>1,286</u>	
<b>NET (LIABILITIES) ASSETS</b>	<b><u>(58,501)</u></b>	<b><u>216,994</u></b>	<b><u>(275,495)</u></b>	
<b>CAPITAL AND RESERVES</b>				
Share capital	1,216	1,216	–	
Reserves	(59,717)	215,778	(275,495)	
<b>Total equity attributable to equity shareholders of the Company</b>	<b><u>(58,501)</u></b>	<b><u>216,994</u></b>	<b><u>(275,495)</u></b>	

*Notes:*

- (a) Impairment on interests in associates of RMB42,485,000

The unaudited amount of interests in associates was RMB42,485,000 and the audited amount is Nil which represent the full impairment loss recognized of RMB42,485,000 as assessed by the management after the acquisition of the key assets held by the associates was terminated subsequently by the developer, which represent the full impairment loss recognized of RMB42,485,000 and was included in other net losses.

- (b) Impairment on intangible assets of RMB24,069,000 and amortization charge of RMB1,011,000

The unaudited amount of intangible assets was RMB25,231,000 and the audited amount is RMB111,000 which mainly represent the full impairment loss recognized of RMB24,069,000 for the patents held by the Group where there's no recoverable amount as assessed by the management.

- (c) Impairment on property development project of RMB111,797,000

The unaudited amount of property development project was RMB185,797,000 and the audited amount is RMB74,000,000 which represent the impairment loss recognized of RMB111,797,000 where the recoverable amount was less than the carrying value as disclosed in the Unaudited Results Announcements after the valuation completed by an independent valuer and was included in other net losses.

- (d) Reversal of deferred tax assets of RMB6,171,000

The unaudited amount of deferred tax assets were RMB4,640,000 and the audited amount was deferred tax liabilities of RMB1,741,000. The difference mainly represented the reversal of deferred tax assets amounted to RMB6,171,000 that was not realizable and the provision of deferred tax liability for the government grant amounted to RMB210,000 in the audited results.

- (e) Further net impairment loss made on trade and other receivables of RMB38,959,000, recognition for the RMB3,000,000 consideration receivable for the disposal of associates, reclassification to trade and other payables of RMB4,990,000 and reclassification of RMB5,919,000 from prepayments and deposits paid.

The trade and other receivables shown in the Unaudited Results Announcement amounted to RMB66,730,000, the difference mainly represented further impairment loss of RMB42,249,000 and reversal of impairment of RMB3,290,000 made in the audited results, which was included in other net losses. Taking into account that there was no significant subsequent settlement for long outstanding trade and other receivables balance during the period from the date of the Unaudited Results Announcement to the date of the approval of the consolidated financial statements of the Group for the year ended 31 December 2021, management of the Group assess that there is a risk of non-recovery of these outstanding trade and other receivables and consider further impairment has to be made.

- (f) Further impairment on prepayments and deposit paid of RMB57,027,000, reclassification to other payables of RMB15,625,000 and reclassification to other receivables of RMB5,919,000.

The prepayments and deposit paid shown in the Unaudited Results Announcement amounted to RMB87,974,000 and further impairment loss of RMB57,027,000 was recognised in the audited results, which was included in other net losses. Taking into account that there was no significant subsequent settlement for long outstanding prepayments and deposit paid during the period from the date of the Unaudited Results Announcement to the date of the approval of the consolidated financial statements of the Group for the year ended 31 December 2021, management of the Group assess that there is a risk of non-recovery of these outstanding prepayments and deposit paid and consider further impairment has to be made.

- (g) Reclassification from prepayment and deposits paid of RMB15,625,000, reclassification from trade and other receivables of RMB4,990,000, reversal of accrued interest expense on corporate bonds payable of RMB4,984,000

Trade and other payables shown in the Unaudited Results Announcement amounted to RMB126,552,000, the difference mainly represented reclassification from prepayment and deposits paid of RMB15,625,000, trade and other receivables of RMB4,990,000 and reversal of accrued interest expense on corporate bonds payable of RMB4,984,000 in the audited results.

- (h) Reclassification to other borrowings and other payables

Bank borrowing shown in the Unaudited Results Announcement amounted to RMB7,858,000, the difference mainly represented reclassification to other borrowings and other payables in the audited results.

- (i) Reclassification from bank borrowings of RMB2,858,000 and reclassification of accrued interest expense of RMB978,000 to other payables

Other borrowings shown in the Unaudited Results Announcement amounted to RMB16,189,000, the difference mainly represented reclassification from bank borrowings of RMB2,858,000 as well as the reclassification to accrued interest expense of RMB978,000 in the audited results.

- (j) Depreciation on property, plant and equipment of RMB1,342,000, amortization of right-of-use assets of RMB519,000 and amortization charge on intangible assets of RMB1,011,000

General and administrative expenses shown in the Unaudited Results Announcement amounted to RMB16,851,000, the difference mainly represented further depreciation made on property, plant and equipment of RMB1,342,000, amortization of right-of-use assets of RMB519,000 and amortization charge on intangible assets of RMB1,011,000 in the audited results.

- (k) Reversal for the accrued interest expense of RMB4,984,000 and accruals for interest expense on other borrowings of RMB529,000

Finance costs shown in the Unaudited Results Announcement amounted to RMB14,951,000, the difference mainly represented the reversal of accrued interest expense on corporate bonds payable of RMB4,984,000 and accruals for interest expense on other borrowings of RMB529,000 made in the audited results.

- (l) Other income and gains shown in the Unaudited Results Announcement amounted to RMB13,466,000, the difference mainly represented the additional gain on disposal of interest in an associate of RMB9,185,000 and the decrease in royalty fee income of RMB4,000,000 made in the audited results.

Save for the material differences disclosed above and the corresponding changes thereto, there are no material changes to the financial information disclosed in the Unaudited Results Announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the year ended 31 December 2021, the Group recorded revenue from operations of RMB85.9 million (2020: RMB474.8 million), representing a decrease of 81.9% from 2020. The Group's gross profit of the operations decreased to RMB13.0 million for the year ended 31 December 2021 from RMB17.7 million recorded in 2020, with the gross profit margin improved to 15.1%. The Company recorded a decrease in the loss attributable to the equity shareholders of the Company for the year ended 31 December 2021 to RMB330.4 million from that of RMB418.5 million recorded in 2020.

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the year ended 31 December 2021.

### Revenue

For the year ended 31 December 2021, the Group recorded a total revenue of RMB85.9 million, representing a decrease of approximately 81.9% from RMB474.8 million for 2020. Such decrease was primarily due to (i) the drop in revenue from the Group's pharmaceutical distribution to wholesalers resulting from vigorous competition; 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 84.0% from RMB457.1 million for the year ended 31 December 2020 to RMB73.0 million for the year ended 31 December 2021. Such decrease in cost of sales was in line with the decrease in revenue during the year.

The Group's gross profit decreased by approximately 26.8% from RMB17.7 million for the year ended 31 December 2020 to RMB13.0 million for the year ended 31 December 2021. The Group's gross profit margin increased from 3.7% for the year ended 31 December 2020 to 15.1% for the year ended 31 December 2021. Such change was primarily attributable to the stringent cost control measures over the business of pharmaceutical distribution to wholesalers by limiting its scale.

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses slightly increased by approximately 8.8% from RMB8.1 million for the year ended 31 December 2020 to RMB8.8 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in advertising costs incurred for promoting the business of the Group under the Epidemic.

## **General and Administrative Expenses**

The Group's general and administrative expenses decreased by approximately 26.1% from RMB26.3 million for the year ended 31 December 2020 to RMB19.4 million for the year ended 31 December 2021. The decrease was attributable to the Group's disposal of the interest in, and the loss of control in the board of directors of 成都百信藥業連鎖有限責任公司 (Chengdu Pashun Pharmacy Chain Store Co., Ltd.\*) ("CPPCSCL") on 30 June 2020 and 30 September 2020 respectively.

## **Other Income and Gains**

Other income and gains increased by approximately 9.7% from RMB17.0 million for the year ended 31 December 2020 to RMB18.7 million for the year ended 31 December 2021. The increase was primarily attributable to the gain of RMB16.3 million recognised upon further disposal of CPPCSCL (as an associate of the Group) during the year ended 31 December 2021, which was partially offset by the absence of franchise fee income and gain on disposal of CPPCSCL as a result of the disposal of the interest in, and the loss of control at the board of directors of CPPCSCL in 2020.

## **Other Net Losses**

Other net losses during the year ended 31 December 2021 mainly comprised of:

- (i) impairment of interest in associates of approximately RMB42.5 million, 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 comprise 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 have been terminated by the developer in April 2022, the Board considered full impairment should be made on the investment in AASB and MGSB;

\* for identification purpose only

- (ii) impairment of other intangible assets of RMB24.1 million, which comprise three patents of “一種適合腎臟病人食用面製品及其加工方法 (a method of manufacture and processing of noodles products suitable for kidney failure patient)”, “一種脫蛋白大米加工方法 (a method of processing of hulled rice)” and “一種適合腎臟病人食用再制米及其加工方法 (a method of manufacture and processing of artificial rice suitable for kidney failure patient)”. 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 RMB24.1 million were recognised in profit or loss during the year; and
- (iii) impairment on property development project of RMB111.8 million. There was no progress in 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.

During the year ended 31 December 2020, there were significant amount of impairment losses of trade receivables of approximately RMB242.9 million, other receivables of RMB62.4 million and prepayments and deposits paid of RMB102.2 million, which were mainly due to the adverse economic environment under the Epidemic and many customers of the Group not being able to settle or delay the payments to the Group. Such situation was improved during the year ended 31 December 2021 and impairment on trade receivables, other receivables and prepayments and deposits paid significantly decreased during the year ended 31 December 2021.

### **Finance Costs**

Finance costs decreased by approximately 8.9% from RMB11.5 million for the year ended 31 December 2020 to RMB10.5 million for the year ended 31 December 2021. Such decrease in finance costs of the Group were mainly due to the decrease in the overdue interests accrued on the corporate bonds payables of the Group.

### **Loss Before Tax**

Loss before tax decreased by approximately 24.0% from RMB425.8 million for the year ended 31 December 2020 to RMB323.4 million for the year ended 31 December 2021. The improvement was primarily due to the decrease in other net losses and general and administrative expenses as disclosed above.

## **Income Tax Expense**

Income tax changed from income tax credit of RMB6.6 million for the year ended 31 December 2020 to income tax expense of RMB7.0 million for the year ended 31 December 2021. The increase in income tax expense was primarily due to the improvement of operating results in the year under review.

## **Loss for the Year**

As a result of the foregoing, the Group's loss for the year decreased by approximately 21.2% from RMB419.2 million for the year ended 31 December 2020 to RMB330.4 million for the year ended 31 December 2021.

## **OUTLOOK**

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

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

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

The Group had total cash and cash equivalents and pledged bank deposits of RMB2.3 million as at 31 December 2021 as compared to RMB15.3 million as at 31 December 2020.

The Group recorded net current liabilities of RMB148.8 million and RMB2.2 million as at 31 December 2021 and 31 December 2020 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.26 as at 31 December 2021, as compared with 0.99 as at 31 December 2020. The net current liabilities of the Group as at 31 December 2021 has arisen from (i) the decrease in total cash and cash equivalents and pledged bank deposits; (ii) the decrease in trade and other receivables; (iii) the decrease in prepayment and deposits paid; and (iv) the increase in other borrowings in the year under review.

As at 31 December 2021, the total amount of bank borrowing was RMB5.0 million, as compared to RMB8.0 million as at 31 December 2020. As at 31 December 2021, the total amounts of other borrowings was RMB16.2 million (2020: RMB4.8 million).

As at 31 December 2021, the total number of issued ordinary shares of the Company (“**Shares**”) was 1,474,992,908 Shares (2020: 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 2021, 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 2020 and 2021.

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 2021, 15 corporate bonds with aggregate principal amount of HK\$47.2 million matured and the Company has outstanding unpaid principal amount of HK\$33.5 million of matured corporate bonds as at 31 December 2021.

As at 31 December 2021, interest payable on corporate bonds of approximately HK\$13.4 million was due and remained outstanding. Since the maturity dates of bonds principals and interests, the Company and the holders of the corporate bonds have engaged in numerous rounds of negotiations to seek to resolve the issue amicably, including extension of the maturity date and the due date of the interest payments, and repayments of principal and interests by installments.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group’s long-term development. There were no changes in the Group’s approach to capital management during the year ended 31 December 2021.

## **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.

As at 31 December 2021, 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 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 2021, 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 2021, the Group had a total of 95 (2020: 165) staff, primarily in the PRC. The total staff cost was RMB8.2 million (2020: RMB11.3 million) for the year ended 31 December 2021.

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 2021 (2020: 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 2021, the Company has complied with the code provisions set out in the CG Code.

With effect from 18 December 2020, Mr. Hung Hing Hung resigned as the company secretary of the Company. Following the resignation of Mr. Hung Hing Hung as the company secretary of the Company and up to the appointment of Mr. So Wing Chun as the company secretary of the Company with effect from 13 December 2021, there was breach of code provision F.1.4 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 laws, rules and regulations, are followed. There were also breaches of Rules 3.05 and 3.28 of the Listing Rules.

With effect from the conclusion of the annual general meeting of the Company held on 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 (“**Remuneration Committee**”) of the Board upon conclusion of the annual general meeting of the Company held on 31 July 2020.

With effect from 1 October 2020, Mr. Lu Yongchao (“**Mr. Lu**”) 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.

With effect from 1 February 2021, Mr. Liu Liangzhong (“**Mr. Liu**”) 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.

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 resignations of Mr. Wong, Mr. Lu and Mr. Liu, the Company failed to satisfy the minimum number of independent non-executive directors and members of audit committee requirements under Rules 3.10(1) and 3.21 of the Listing Rules and the number of the independent non-executive Directors fell 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 met the same requirements under Rule 3.10(2) of the Listing Rules. The Company did not have the Remuneration Committee which was 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 the Nomination Committee which was 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 (collectively, the “**Relevant Board Composition Requirements**”).

With effect from 22 February 2021, (1) Professor Xiao Kai was appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee; (2) Mr. Yang Bo was appointed as an executive Director; (3) Mr. Cao Lei was 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 was 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 was 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 disclosed in the announcement of the Company dated 30 June 2021, the following changes in corporate positions took place with effect from the conclusion of the annual general meeting for the year ended 31 December 2020 held on 30 June 2021:

- (i) Professor Xiao Kai retired as the chairman of the Board and an executive Director and ceased to be the chairman of the Nomination Committee;
- (ii) Mr. Yang Bo retired as an executive Director;
- (iii) Mr. Hu Haisong retired as a non-executive Director;
- (iv) Mr. Wu Guohua retired as a non-executive Director;
- (v) Mr. Cao Lei retired as an independent non-executive Director and ceased to be the chairman of each of the Remuneration Committee and the CG Committee, and a member of each of the Audit Committee and the Nomination Committee;
- (vi) Mr. Ng Wai Tsan retired as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the CG Committee; and
- (vii) Mr. Chen Yongsheng retired as an independent non-executive Director and ceased to be the chairman of the Audit Committee and a member of each of the Remuneration Committee and the CG Committee.

Following the retirement of the above Directors, 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. The Company failed to satisfy the Relevant Board Composition Requirements.

With effect from 29 October 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. Feng Junzheng has been appointed as the chief executive officer of the Company and an executive Director; (3) Mr. Zhang Tong has been appointed as a non-executive Director; (4) Mr. Chen Yunwei has been appointed as a non-executive Director; (5) Ms. Luo Ke has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee, the Remuneration Committee and the CG Committee; (6) Mr. Cao Lei has been appointed as an independent non-executive Director, the chairman of each of the Remuneration Committee and the CG Committee, a member of each of the Audit Committee and the Nomination Committee; and (7) Mr. Ding Qing has been appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the CG Committee. With effect from 13 December 2021, Mr. So Wing Chun has been appointed as the company secretary of the Company.

After the appointment of the above Directors and change of compositions of Board committees on 29 October 2021 and appointment of the company secretary of the Company on 13 December 2021, the Company complied with the code provisions set out in the CG Code and Rules 3.10(1), 3.10(2), 3.10(A), 3.21 and 3.25 of the Listing Rules.

As at the date of this announcement, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

Under the code provision A.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 2021.

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

During the year ended 31 December 2021, 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, a re-re-amended petition (“**Re-Re-Amended Petition**”) remains subsisting. The Re-Re-Amended Petition was filed by a 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 a 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 Praise Treasure Limited (“**PTL**”), a controlling shareholder of the Company.

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

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

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

**(4) 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 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.

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 2021 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 2021.

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 2021 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 2021 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.*