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百信集團
PASHUN GROUP

Pa Shun International Holdings Limited

百信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 574)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Pa Shun International Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) announces that the unaudited interim consolidated results of the Group for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022 as follows:

INTERIM RESULTS HIGHLIGHTS

- Revenue amounted to approximately RMB82,832,000 (2022: approximately RMB33,389,000).
- Profit for the period amounted to approximately RMB4,517,000 (2022: loss for the period of approximately RMB4,635,000).
- Basic profit (loss) per share for the six months ended 30 June 2023 amounted to approximately RMB0.31 cent (2022: RMB0.31 cent).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	82,832	33,389
Cost of sales		<u>(62,720)</u>	<u>(26,291)</u>
Gross profit		20,112	7,098
Other income and gains	4(a)	1,829	61
Other losses	4(b)	–	(1)
Selling and distribution expenses		(4,503)	(2,170)
General and administrative expenses		(7,386)	(5,503)
Finance costs	5	<u>(5,471)</u>	<u>(4,120)</u>
Profit (loss) before tax	6	4,581	(4,635)
Income tax expense	7	<u>(64)</u>	<u>–</u>
Profit (loss) for the period		<u>4,517</u>	<u>(4,635)</u>
		<i>RMB cent</i>	<i>RMB cent</i>
Profit (loss) per share	9		
Basic		<u>0.31</u>	<u>(0.31)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Notes	(unaudited)	(unaudited)
Profit (loss) for the period	4,517	(4,635)
Other comprehensive income (loss) for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC" or "China")	<u>6,209</u>	<u>(4,301)</u>
Total comprehensive income (loss) for the period	<u>10,726</u>	<u>(8,936)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**”), 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 30 June 2023 exceed the Group’s current assets at that date by RMB186,045,000, which includes the corporate bonds payable and bank and other borrowings amounted to RMB83,700,000 and RMB36,036,000 respectively; and the total liabilities of the Group 30 June 2023 exceed the Group’s total assets at that date by RMB117,199,000, the Directors of the Company consider it appropriate for the preparation of the 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 become unconditional and comes into effect;
 - (ii) Creditors with Scheme Claims (“**Scheme Creditors**”) which have been admitted by the administrators of the Scheme of Arrangement or the adjudicator, will be entitled to the following in proportion to their Admitted Claims on a *pari passu* basis:
 - an initial cash payment representing 1% of the Admitted Claims (“**Initial Cash Payment**”); and
 - annual cash payments from 2024 to 2028 (“**Yearly Payments**”).

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

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

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

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

The application of the amendments to HKFRSs in the current interim period has not resulted in significant impact on the Group's condensed consolidated financial statements. The Group has also not applied any new or amended standards that are not effective in respect of the current interim period.

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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. The amount of each significant category of revenue is as follows:

	Six months ended 30 June	
	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Pharmaceutical distribution	11,360	22,530
Pharmaceutical manufacturing	71,472	10,859
	<u>82,832</u>	<u>33,389</u>

All of the Group's revenue is recognised at a point of time for both periods.

4. OTHER INCOME AND GAINS AND OTHER LOSSES

(a) Other income and gains

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

(b) Other losses

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

5. FINANCE COSTS

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

6. PROFIT (LOSS) BEFORE TAX

Loss before tax is arrived at after charging:

	Six months ended 30 June	
	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Cost of inventories sold (<i>note i</i>)	62,720	1,748
Salaries, wages and other benefits	4,517	3,057
Contributions to defined contribution retirement plans	246	369
Total staff costs (<i>note ii</i>)	4,763	3,426
Amortisation of other intangible assets	–	111
Depreciation of property, plant and equipment	983	777
Depreciation of right-of-use assets	192	506
Auditors' remuneration	221	–
	<u>221</u>	<u>–</u>

Notes:

- (i) Cost of inventories sold for the six months ended 30 June 2023 includes staff costs and depreciation and amortisation expenses totalled RMB519,000 (six months ended 30 June 2022: RMB66,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	64	–
	<u>64</u>	<u>–</u>

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax for the six months ended 30 June 2023 and 2022 has been made in the condensed consolidated statement of profit or loss as the Group has no assessable profits arising in Hong Kong for both of the periods presented.
- (iv) The Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25%. No provision for PRC Enterprises Income Tax for the current period has been made in the condensed consolidated statement of profit or loss as the Group had no profit for the period which is assessable to such PRC income tax.

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

9. PROFIT/(LOSS) PER SHARE

(a) Basic profit/(loss) per share

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

(b) Diluted profit/(loss) per share

Diluted profit/(loss) per share for the six months ended 30 June 2023 and 2022 is not presented as there are no potential ordinary shares in issue during both of the periods presented.

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 the period ended 30 June 2022.

10. TRADE AND OTHER RECEIVABLES

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

Notes:

(a) Trade and commercial bills receivables

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

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 1 month	4,907	10,091
1 to 3 months	8,494	–
4 to 6 months	2,401	–
Over 6 months	–	–
	<u>15,802</u>	<u>10,091</u>

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

(b) Bank bills receivables

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

11. TRADE AND OTHER PAYABLES

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Trade payables (<i>note (i)</i>)	26,198	33,434
Lease liabilities	–	374
Salaries, wage and welfare payable	10,392	15,580
Contract liabilities (<i>note (ii)</i>)	17,499	22,560
Accrued corporate bond interests	25,476	19,532
Accrued interests for other borrowings	10,746	5,332
Other payables	33,010	21,454
	<u>123,321</u>	<u>118,266</u>

Notes:

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

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

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

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

12. CONTINGENT LIABILITIES

As at 30 June 2023, except as disclosed below, there were no legal claims against the Group at that date.

- (a) A petition (the “**Petition**”) was filed on 16 November 2020 by Ms. Feng Lihua (the “**Petitioner**”) against the Company in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) for an order that the Company be wound up by the Court. The Petition was filed against the Company for the Company’s failure to settle the principal payment in the sum of HK\$10,000,000 due on 3 June 2020 in respect of the bond issued to the Petitioner by the Company as well as the interest accrued on the bond from 1 October 2019 to 30 September 2020 in the sum of HK\$650,000. The Petition was heard on 10 February 2021 as scheduled at the High Court before a Master. The Petitioner and the Company reached settlement agreement (“**Settlement Agreement**”) and the Petition is expected to be withdrawn by the Petitioner upon the Company’s full payment of the outstanding debt owed to the Petitioner. However, the Company did not fully comply with the Settlement Agreement and the Petitioner applied to the High Court to bring forward the hearing of the Petition. Subsequent to the year ended 31 December 2021, the Petition was dismissed by the High Court at the hearing on 17 January 2022.
- (b) A petition (the “**Petition**”) was filed on 30 May 2022 by Mr. Wu Yuehua (the “**Petitioner**”) against the Company in the High Court for an order that the Company be wound up by the High Court. The Petition was filed against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$2,390,000 in respect of the bond issued to the Petitioner by the Company.

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

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

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

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

13. EVENT AFTER THE REPORTING PERIOD

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

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

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

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

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

Since 2020, various winding-up petitions were presented against the Company. As at the date of this announcement, the Amended Petition filed by the Petitioner was struck out and the supporting creditor, Zhu Shunyun (“**Substituting Petition**”) was granted to substitute the petition (“**Re-Re-Amended Petition**”) remains subsisting. The Re-Re-Amended Petition was filed by a petitioner against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$2,573,424 in respect of the bond issued to the petitioner by the Company. The hearing of the Re-Re-Amended Petition is adjourned to 20 November 2023.

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

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

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

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

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

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

(d) Establishment of Independent Investigation Committee

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the six months ended 30 June 2023.

Revenue

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

Cost of Sales, Gross Profit and Gross Profit Margin

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

The Group’s gross profit increased by approximately 183.3% from RMB7.1 million for the six months ended 30 June 2022 to RMB20.1 million for the six months ended 30 June 2023. The Group’s gross profit margin increased from 21.3% for the six months ended 30 June 2022 to 24.3% for the six months ended 30 June 2023. Such change was primarily attributable to the shift of focus of its pharmaceutical distribution business from wholesaler customers to hospital customers where the Group could sell at higher margin.

Selling and Distribution Expenses

The Group’s selling and distribution expenses increased by approximately 107.5% from RMB2.2 million for the six months ended 30 June 2022 to RMB4.5 million for the six months ended 30 June 2023. The increase was attributable to the increase in the revenue of the Group and more selling activities and promotions can be done during the period under review after the Epidemic was controlled in early 2023.

General and Administrative Expenses

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

Other Income and Gains

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

Finance Costs

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

Profit (loss) for the Period

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

OUTLOOK

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

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

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

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

As at 30 June 2023, the total number of issued ordinary shares of the Company (“**Shares**”) was 1,474,992,908 Shares (31 December 2022: 1,474,992,908 Shares). In 2018, the Company has granted to certain eligible persons share options (“**Options**”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 30 June 2023, 100,000,000 Options remained outstanding. Please refer to the announcement of the Company dated 7 September 2018 for details of the grant of the Options. No Options were granted during the six months ended 30 June 2023.

During the period between 2016 and 2018, the Company issued unsecured corporate bonds with principal amount of HK\$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. As at 30 June 2023, 18 corporate bonds with aggregate principal amount of HK\$51.7 million matured and the Company has outstanding unpaid principal amount of HK\$33.1 million of matured corporate bonds as at 30 June 2023.

As at 30 June 2023, interest payable on corporate bonds of approximately HK\$25 million was due and remained outstanding. Since the maturity dates of bonds principals and interests, the Company and the holders of the corporate bonds have engaged in numerous rounds of negotiations to seek to resolve the issue amicably, including extension of the maturity date and the due date of the interest payments, and repayments of principal and interests by installments.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group’s long-term development. There were no changes in the Group’s approach to capital management during the six months ended 30 June 2023.

CONTINGENT LIABILITIES

A petition (the “**2022 Petition**”) was filed on 30 May 2022 by Mr. Wu Yuehua (the “**2022 Petitioner**”) against the Company in the High Court for an order that the Company be wound up by the High Court. The 2022 Petition was filed against the Company for the Company’s failure to settle the principal sum and interest payment with total sum of HK\$2,390,000 in respect of the bond issued to the 2022 Petitioner by the Company. On 6 March 2023, the 2022 Petition filed by the 2022 Petitioner was struck out and the supporting creditor, Opera Enterprise Limited (“**Opera**”) was granted leave to substitute the 2022 Petitioner. An amended

petition (“**Amended Petition**”) was filed by Opera against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$842,706.75 in respect of the bond issued to Opera by the Company. Further, on 24 July 2023, the Amended Petition was struck out and the supporting creditor, Zhu Shunyun (“**Substituting Petitioner**”), was granted leave to substitute the 2022 Petitioner. A re-re-amended petition (“**Re-Re-Amended Petition**”) was filed by the Substituting Petitioner against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of HK\$2,573,424.66 in respect of the bond issued and held by the Substituting Petitioner by the Company. The hearing of the Re-Re-Amended Petition is adjourned to 20 November 2023. As at the date of this announcement, the Company was in negotiation with the Substituting Petitioner for the withdrawal of the said petition. Nevertheless, the Scheme of Arrangement was sanctioned by the High Court on 1 November 2023. The High Court of Hong Kong has indicated that, on the basis of the undertaking given by the Company, the court considered that there is sufficient assurance that the Scheme of Arrangement will proceed with the result that all creditors will receive various payments provided for under the Scheme of Arrangement and will be able to resolve insolvency status and there is no further basis for the Substituting Petitioner to maintain that the Company is insolvent and should be wound up by the court. The High Court requested the Substituting Petitioner to act reasonably and indicate her consent to the dismissal of the Re-Re-Amended Petition so as to dispense with the parties’ attendance and the court will be able to pronounce the order dismissing the Re-Re-Amended Petition without either hearing the Company or the Substituting Petitioner. This is a matter that should be dealt with by way of consent summons.

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

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

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

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

POSSIBLE TRANSACTION PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE

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

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

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

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

FOREIGN EXCHANGE RISKS

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2023, the Group did not make any significant investments, acquisitions or disposals that was required to be disclosed under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

HUMAN RESOURCES

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

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

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

CORPORATE GOVERNANCE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules which was effective during the period under review as its own code of corporate governance. Save as disclosed below, during the six months ended 30 June 2023, the Company has complied with the code provisions set out in the CG Code.

Under the code provision C.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Upon the expiry of previous directors and officers liability insurance on 18 June 2021, the Company did not arrange any new insurance cover in respect of potential legal actions against its Directors. 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 six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

(1) Restructuring and Scheme of Arrangement

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

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

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

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

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

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

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

(2) Establishment of Independent Investigation Committee

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

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

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

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

Save as disclosed above and in the paragraph headed “Contingent Liabilities” in the Management Discussion and Analysis section of this announcement, the Board is not aware of any significant events requiring disclosure that has taken place subsequent to 30 June 2023 and up to the date of this 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 of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the interim financial results for the six months ended 30 June 2023.

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 interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.pashun.cn under the section of "Investor Relations/HKEx Filings" respectively. The interim report of the Company for the six months ended 30 June 2023 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.