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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)

**FULFILMENT OF RESUMPTION GUIDANCE
AND
RESUMPTION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended since 1:18 p.m. on 12 May 2022. As the Company has fulfilled all Resumption Guidance, an application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 11 December 2023.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the Announcements.

BACKGROUND

Trading in the Shares on the Stock Exchange has been suspended since 1:18 p.m. on 12 May 2022 due to delay in the publication of the Company's audited annual results for the year ended 31 December 2021.

On 8 March 2019, the Group entered into the Sale and Purchase Agreement (1) in relation to the Acquisition (1). The Target Company (1) held 49% of the legal and beneficial interest in the issued share capital of the Property Company (1), which in turn held the interest in the Properties (1). The Consideration (1) was satisfied by way of issue and allotment of 82,409,000 Consideration Shares (1) at the issue price of HK\$0.55 per Share, which have been issued to the Vendors on 19 March 2019.

On 3 April 2019, the Group entered into the Sale and Purchase Agreement (2) in relation to the Acquisition (2). The Target Company (2) held 49% of the legal and beneficial interest in the issued share capital of the Property Company (2), which in turn held the interest in the Properties (2). The Consideration (2) was satisfied by way of issue and allotment of 34,709,818 Consideration Shares (2) at the issue price of HK\$0.55 per Share, which have been issued to the Vendors on 12 April 2019.

In May 2022, the Board was informed by the Vendors that the Sale and Purchase Agreement (1) and the Sale and Purchase Agreement (2) have been terminated by the Developers, to the effect that the Property Companies will cease to have any interest in the Properties. The Board did not have the supporting documents or information in relation to the Termination. In view of the uncertainty in relation to the Termination, the audit process could not be completed by 13 May 2022.

RESUMPTION GUIDANCE

On 12 August 2022, the Company received the Guidance Letter from the Stock Exchange setting out the Resumption Guidance as follows:

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications (“**Resumption Guidance 1**”);
- (ii) conduct an appropriate independent forensic investigation into the Acquisitions (including the two side agreements), the Termination and the other related matters raised by the Company’s auditors, announce the findings and take appropriate remedial actions (“**Resumption Guidance 2**”);
- (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 (“**Resumption Guidance 3**”);
- (iv) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules (“**Resumption Guidance 4**”);
- (v) have the winding up petition (or order, if made) withdrawn or dismissed (“**Resumption Guidance 5**”); and
- (vi) inform the market of all material information for the Company’s shareholders and other investors to appraise its position (“**Resumption Guidance 6**”).

It is stated in the Guidance 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 its securities is allowed to resume and for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange also states in the Guidance Letter that it may modify or supplement the Resumption Guidance if the Company’s situation changes.

FULFILMENT OF ALL RESUMPTION GUIDANCE

The Company would like to inform the Shareholders and the public that the Company has fulfilled all Resumption Guidance, with details as follows:

Resumption Guidance 1: publish all outstanding financial results required under the Listing Rules and address any audit modifications

Since the suspension of trading, the Company has published all its outstanding financial results. On 2 November 2023, the Company has published the audited annual results for the year ended 31 December 2021 and 2022 and the unaudited interim results for the six months ended 30 June 2022 and 2023.

Subsequent to the publication of the audited annual results announcements of the Company for the year ended 31 December 2021 and 2022, the Company and CCTH, the auditors of the Company, have improved clarity to the wordings of the disclaimer of opinion and detailed plan to address the Disclaimer of Opinion (the “**Disclaimer and Plan**”). The amended Disclaimer and Plan is as follows:

Disclaimer of Opinion

CCTH, the auditors of the Company, does not express an opinion on the consolidated financial statements of the Group for each of the years ended 31 December 2021 and 2022. Because of the significance of the matters described in the section headed “Basis for Disclaimer of Opinion” below, CCTH has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the relevant consolidated financial statements. In all other respects, CCTH is of the 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

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 net current liabilities and net liabilities of the Group at 31 December 2022 amounted to approximately RMB186,003,000 and RMB115,520,000 respectively, and the Group incurred net loss of approximately RMB43,379,000 for the year ended 31 December 2022.

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

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the Scheme of Arrangement and other various measures to be undertaken by the Group. 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, CCTH has disclaimed its 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*

CCTH 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 CCTH was unable to obtain sufficient appropriate audit evidence to satisfy itself whether (i) the property units held by the associates were beneficially owned by the associates, Property Company (1) and Property Company (2), 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 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 ended 31 December 2021 and was included in other net losses.

CCTH expressed a modified opinion in respect of the Group's interests in associates as at 31 December 2021, because CCTH was unable to obtain sufficient appropriate audit evidence to satisfy themselves 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 profit and loss for the year ended 31 December 2021 or the profit and loss for the year ended 31 December 2020 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.

The opinion of CCTH on the Group's consolidated financial statements is also modified because of the possible effect of the aforementioned matters on the comparability of the figures for the year ended 31 December 2021 and the corresponding figures for the year ended 31 December 2020.

CCTH also expressed a modified opinion in respect of the Group's interests in associates as at 31 December 2022, because of the possible effect of the matter on the comparability of the current year's figures and the corresponding figures for the prior year ended 31 December 2021. The Company has confirmed with CCTH and CCTH concurs that, given that these comparative figures for the year ended 31 December 2021 will not be included in the annual results for the year ending 31 December 2023, the modified opinion in respect of the Group's interests in associates would be removed in the audit opinion for the consolidated financial statements for the year ending 31 December 2023.

(c) *Property development project*

The Group had a property development project with the carrying amount of approximately RMB57,000,000 and RMB74,000,000 as at 31 December 2022 and 31 December 2021 respectively (after netting off the aggregate impairment losses recognized amounted to RMB128,797,000 and RMB111,797,000 respectively as at those dates). Impairment losses on the property development project amounted to approximately RMB17,000,000 and RMB111,797,000 were recognised in profit and loss of the Group in respect of the current year ended 31 December 2022 and the prior year ended 31 December 2021 respectively and were included in other net losses. As detailed in CCTH's auditor's report dated 1 November 2023 with disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2021, CCTH was unable to obtain sufficient appropriate audit evidence to satisfy itself whether the amount of the impairment loss on the property development project were properly recognised on the consolidated financial statements for the prior year ended 31 December 2021. In addition, CCTH was unable to obtain sufficient appropriate audit evidence to satisfy itself whether the amount of the impairment losses on the property development project were properly recognised in the consolidated financial statements for the year ended 31 December 2022. Any adjustments, if required, to be made against the amount of impairment losses recognised might have a significant impact on the loss of the Group for the current year ended 31 December 2022 and the prior year ended 31 December 2021, and the carrying amounts of the property development project as at those dates. CCTH's opinion on the Group's consolidated financial statements in respect of this matter is also modified because of the possible effect of the matter on the comparability of the current year's figures and the corresponding figures for the prior year ended 31 December 2021.

In previous years before the year ended 31 December 2020, the basis of valuation of the property project was discounted cash flow of the property project based on the market value of the property project assuming that it would be completed ("**Completion Basis**"). However, since the Group had going concern problems in light of the Re-

Re Amended Petition as at the accounting cut off date, there was possibility that the property project would be enforced and disposed of in the current status of under construction. As a result, CCTH is of the opinion that using Completion Basis to value the property project is not suitable as at 31 December 2021 and 2022.

Since the Group has going concern problem, another way to value the property project is market approach in current status. However, there is no proper comparables of such properties under construction in the nearby area and thus the valuation of the property project cannot be ascertained as at 31 December 2021 and 2022.

With the multiple uncertainties relating to going concern being removed for the year ending 31 December 2023, the Company can continue to use Completion Basis to value the property project and the property project disclaimer would be removed in the audit opinion for the consolidated financial statements for the year ending 31 December 2023. The Company has confirmed with CCTH and CCTH concurs with the above view.

Detailed Plan to address the Disclaimer of Opinion

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 for the purpose of considering and, if thought fit, approving the Scheme of Arrangement and related directions.

The principal terms of the Scheme of Arrangement proposed are as follows:

1. 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 (“**Effective Date**”);
2. creditors with Scheme Claims (“**Scheme Creditors**”) which have been admitted by the administrators of the Scheme of Arrangement (“**Scheme Administrators**”) or the adjudicator (“**Admitted Claims**”), will be entitled to the following in proportion to their Admitted Claims on a pari passu basis:
 - (i) an initial cash payment representing 1% of the Admitted Claims (“**Initial Cash Payment**”); and
 - (ii) 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 for 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. If the aggregate of the Initial Cash Payment and all the Yearly Payments are insufficient to settle all the Admitted Claims, the Company shall allot and issue new shares ("**Scheme Shares**") to the Scheme Creditors, subject to the approval of the shareholders of the Company (if applicable) and the Stock Exchange and the requirements of the Listing Rules. The exact number of Scheme Shares to be issued and the issue price per share are to be determined after all the Yearly Payments have been settled in 2028.

Notwithstanding the above, the entire outstanding amount of the Admitted Claims shall become due and payable by the Company as a lump sum cash payment 1 year following the yearly distribution date for 2028 should (i) the necessary approval(s) for issuance of the Scheme Shares not be obtained; (ii) the Scheme Shares could not be issued pursuant to the terms of the Scheme of Arrangement; (iii) the listing of the Shares be cancelled by the Stock Exchange; (iv) the total market capitalisation of the Scheme Shares be less in value than the total amount of the outstanding Admitted Claims.

The Scheme of Arrangement covers all Scheme Claims, i.e. all unsecured and non-preferential claims against the Company, and is estimated to be approximately HK\$220 million.

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**"). The petitioner of the Re-Re Amended Petition has signed a consent summons on 9 November 2023, pursuant to which the petitioner has agreed the Re-Re Amended Petition be dismissed. Order has been pronounced by the High Court of Hong Kong on 20 November 2023 that the Re-Re Amended Petition be dismissed.

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 has been 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. Upon the Scheme having become effective, a substantial part of the current liabilities has been reclassified as non-current liabilities in the management accounts of the Company. 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 31 December 2021.

The management of the Company understands that the Disclaimer of Opinion was resulted from CCTH 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.

The Company has confirmed with CCTH, that CCTH concurs with the detailed plan of the Company to address the disclaimer opinion arising from multiple uncertainties relating to going concern. Since the Scheme of Arrangement has become effective on 10 November 2023, the disclaimer opinion arising from multiple uncertainties relating to going concern would be removed in the audit opinion for the consolidated financial statements for the year ending 31 December 2023.

The audit committee of the Company concur with the views as stated above.

In view of the above, the Company has published all outstanding financial results required under the Listing Rules and addressed all audit modifications and the Board is of the view that the Company has adequately fulfilled Resumption Guidance 1.

Resumption Guidance 2: conduct an appropriate independent forensic investigation into the Acquisitions (including the two side agreements), the Termination and the other related matters raised by the Company's auditors, announce the findings and take appropriate remedial actions

On 17 August 2023, the Board has resolved to establish the Independent Investigation 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 the Forensic Investigation; reporting and making recommendations to the Board on appropriate actions to be taken. Mr. Cao Lei was appointed as an independent non-executive Director in 2021 and was not involved in approving the Acquisitions in 2019. Ms. Li Yan and Mr. Khor Khie Liem Alex were appointed after the suspension of trading in the Shares.

As disclosed in the announcement of the Company dated 26 October 2023, the Company has engaged Forensic Accountant as the Company's forensic accountant to conduct the Forensic Investigation. On 20 October 2023, the Company received the Forensic Investigation Report from the Forensic Accountant.

Summary of Key Findings

The Company hereby sets out below the key findings of the Forensic Investigation:

- (a) The Company entered into the Acquisition (1) in March 2019 and the Acquisition (2) in April 2019.
- (b) At the material time the Sale and Purchase Agreement (1) and the Sale and Purchase Agreement (2) were entered into, the Property Companies did not own the titles of the Properties. Instead, the Property Companies have only entered into the Property Agreements with the Developers. The Property Agreements were subsequently amended by amendment agreements, pursuant to which the payment obligations of the Property Companies were transferred to the Vendors.
- (c) According to Mr. Chen:
 - (i) although the Company focused on the manufacture and distribution of pharmaceutical products, the profitability of such business continued to drop and there was little room for growth. Since 2017, the Company had tried to explore other opportunities in property investment in order to diversify the business risks faced by the Company;
 - (ii) in January 2019, the Vendors, who were friends of Mr. Chen, introduced Mr. Chen to the property project in Malaysia;
 - (iii) Mr. Chen and the Vendors went to Malaysia to inspect the property project and Mr. Chen decided to proceed with the investment in the property project in Malaysia in order to generate stable income stream and achieve capital appreciation for the Company;
 - (iv) the reason why the consideration of the Acquisitions was satisfied by way of issue of the Consideration Shares was that the Company had insufficient cashflow at the material time, and such issue of shares would not affect the normal operation of the Company;
 - (v) the reason why the Company did not impose any other restrictions or conditions for the issue of the Consideration Shares was that the Vendors would not accept the same due to the low trading volume of the Shares and the potential difficulties in disposing of the same;

- (vi) Mr. Chen was not aware of the transaction structure and has delegated the staff of the Company and other professional advisors to handle the same. However, the Forensic Accountant observed that what Mr. Chen claimed is inconsistent with the surrounding circumstances. Mr. Chen should be aware that the Properties were not yet transferred to the Property Companies;
- (vii) the construction of the Properties was interrupted by the outbreak of COVID-19 and was suspended. He also resigned as the chairman, executive director and chief executive officer of the Company in June 2020 due to personal reasons.
- (d) There was no provision under the Sale and Purchase Agreement (1) and the Sale and Purchase Agreement (2) on the payment obligations of the Vendors under the Property Transactions.
- (e) It was observed that the Acquisitions were proposed by Mr. Chen and other Directors were not involved in the liaison with the counterparties of the transaction.
- (f) After Mr. Chen ceased to be the Chairman of the Board and an executive Director, there was no management who was responsible for liaising with the Vendors on the progress of the Acquisitions, the Properties and the payment of the purchase price of the Properties. The Company was only informed by the Vendors in early 2022 that payment of the purchase price of the Properties was not made in a timely manner.
- (g) According to the Vendors:
 - (i) they have paid 10% of the total purchase prices of the Properties, i.e. approximately HK\$8 million (the “**Prepayment**”). The amount of Prepayment was consistent with the amount as shown on the termination notice and the bank transaction records;
 - (ii) since the share price of the Company continued to fall and the trading volume remained low, the proceeds from the disposal of the Consideration Shares were insufficient to support the payment of the balance of the purchase prices of the Properties;
 - (iii) they have already disposed of most of the Consideration Shares before the suspension of trading in Shares on 12 May 2022. Due to the continued drop in the share price of the Company and forfeiture of Prepayment, they have suffered loss from the Acquisitions.
- (h) The Forensic Accountant observed that the share price of the Company dropped significantly in May 2019. Mr. Chen said he was not aware of the reasons for such significant drop in share price.

- (i) According to the parent company of the Developers:
- (i) they did not directly contact the Group. Rather, they only dealt with the Property Companies, which were represented by the Vendors;
 - (ii) the main reason why the Property Transactions were terminated was that the Vendors failed to pay the purchase prices of the Properties in a timely manner in accordance with the Property Agreements despite repeated requests and indulgence granted by the Developers. Since the outbreak of COVID-19 in 2020, the Developers did not receive any further payments from the Vendors. Therefore, the Developers issued the termination notice to the Vendors to terminate the Property Transactions on 8 April 2022 and forfeited the Prepayment.
- (j) On 16 June 2022, the Vendors have delivered the termination notices dated 8 April 2022 issued by the Developers to the Company.
- (k) The Forensic Accountant has tried to retrieve the data from the computer and email accounts of Mr. Chen and Mr. Shen Shun (another former executive Director) and nothing abnormal was discovered.

Overall Responses of the Independent Investigation Committee and the Board

The Independent Investigation Committee and the Board have reviewed the Forensic Investigation Report. Having considered that, (i) the findings in the Forensic Investigation Report are consistent with their observations based on the surrounding circumstances, (ii) Mr. Chen has dominated the Board in approving the Acquisitions despite different opinion from certain other director and the advices of the legal advisors of the Company on the risks involved, the contents and findings of the Forensic Investigation Report are reasonable and acceptable. Accordingly, the Independent Investigation Committee and the Board adopt the findings of the Forensic Investigation.

The Independent Investigation Committee and the Board considered that Mr. Chen has failed to fulfil his directors' duties by exercising reasonable care, skill and diligence, even though there is no direct evidence to prove that Mr. Chen has personally benefited from the Acquisitions so as to conclude that there are integrity or dishonesty issues up to the date hereof. Accordingly, the Independent Investigation Committee and the Board are of the view that Mr. Chen should be held responsible for the incident.

The office of Mr. Chen as the chairman of the Board and an executive Director was vacated on 18 June 2020, as Mr. Chen was adjudged bankrupt by the High Court of Hong Kong on 18 June 2020 in the bankruptcy proceedings. Mr. Chen was no longer involved in the management of the Group since then.

The Board is of the view that the issues identified in the Forensic Investigation Report do not affect the business operation of the Group. The Group's business operation continues as usual despite the suspension of trading in the Shares since 12 May 2022.

Remedial Action Taken by the Board

Policy and procedures have been established for investment management, including but not limited to the analysis and approval procedures for investment and declaration of interest. Such policy has been approved by the Audit Committee and the Board. The approved policy has been circulated to the relevant staff for follow up. Besides, a briefing session has been provided to the relevant staff to ensure their understanding on the investment policy and procedures:

- (a) the Investment Department is responsible for all investment activities of the Group, including its risk management and return of investments;
- (b) in carrying out a new investment, the Investment Department will conduct analysis on various aspects, including, *inter alia*, the background, consideration of the investment, investment risks, investment performance and return, etc. in order to ensure that the risks involved in the new investment are well controlled;
- (c) all the assessment results and advices will be submitted to the management (including the Chief Executive Officer and the Financial Controller) for review and approval. If the consideration of the investment exceeds HK\$4,000,000, it will also be submitted to the Board for approval;
- (d) in the meanwhile, the Company Secretary shall assess as to whether disclosure in accordance with the Listing Rules is required. If so, the same shall be disclosed in compliance with the Listing Rules;
- (e) all staff involved in the investment decision shall be required to sign a declaration of interest, in order to ensure that there is no interest between the investment and themselves. In the event that there is any change of circumstances, the staff involved is required to report to the management (including the Chief Executive Officer and the Financial Controller) or the Board, and shall not participate in the decision-making or monitoring of the relevant investment;
- (f) all investment agreements shall be submitted to the legal advisors for review in order to ensure that the interests of the Company are safeguarded;
- (g) after signing the investment agreement, the Investment Department and the Finance Department will closely monitor the investment, and report to the Board on a monthly basis, including the investment return and the change thereof;
- (h) in case of any unforeseen circumstances or material adverse change in market conditions which may result in significant loss to the Group, the Financial Controller shall promptly report to the Board, and to formulate and implement a response strategy;
- (i) all documents and files of the investment will be kept and recorded by the Finance Department;

- (j) the Group will engage professional advisors (including professional valuer, professional accountants or legal advisors) for advices, to ensure all the legal terms and investment backgrounds are suitable and beneficial to the interest of the Group;
- (k) if the decrease of the face value of any investment is more than 5% of the original consideration of the investment, the Investment Department shall promptly report the same to the management (including the Chief Executive Officer and the Financial Controller) in order to assess as to whether any exit plan or action is required to be taken.

All the assessment results and approvals of the Chief Executive Officer and Financial Controller and/or the Board will be recorded in writing. Further, all approvers are required to declare their interest before attending any discussion and making investment decisions.

In addition, the Company has implemented or will implement the following remedial actions:

1. a directors' training has been conducted on 13 October 2023, during which all Directors were reminded of, inter alia, their directors' duties in handling transactions and investments, the guidelines under the paragraph "Directors' responsibilities when assessing transactions" as set out in the Listed Issuer Regulation Newsletter dated December 2021 published by the Stock Exchange, corporate governance and Listing Rules compliance. It is intended that further trainings will be provided to the Directors, the senior management and the key staff in the compliance and finance departments at regular intervals in the future;
2. the Company will retain a legal advisors experienced in Listing Rules compliance and corporate governance matters on annual retainer basis, which will be responsible for advising the Company the proper procedures in assessing and approving potential transactions and investments, and the requirements on fulfilment of directors' duties and corporate governance requirements;
3. the Company will ensure that the Board is equipped with the requisite skills and knowledge in assessing and handling potential acquisitions and investments. In this connection, the existing executive directors and independent non-executive directors, namely, Professor Xiao Kai, Mr. Yuan Hongbing, Mr. Feng Junzheng, Mr. Cao Lei, Ms. Li Yan and Mr. Khor Khie Liem Alex are experienced in investment, capital management, mergers and acquisitions, risk management and corporate restructuring; and
4. the Company has decided to take legal actions against the Vendors and Mr. Chen Yen Fei. The legal advisors of the Company have already issued the pre-action letters to the Vendors and Mr. Chen Yen Fei in November 2023. The Company is now formulating its strategies for the next step.

The Board is of the view that, with the above internal control measures, the Company will be able to effectively prevent reoccurrence of mis-management of any investments similar to those of the Acquisitions in the future and monitor and control the risks thereof.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 2.

Resumption Guidance 3: 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

As disclosed in the announcement of the Company dated 6 November 2023, the Company has engaged SHINEWING Risk Services on 15 August 2023 to conduct the Internal Control Review and demonstrate that the Company has put in place adequate internal controls and procedures to fulfil its obligations under the Listing Rules, and the Internal Control Review Report has been prepared on the findings of the Internal Control Review. The Internal Control Review covers the internal control system of the Group for the period from 1 January 2022 to 31 August 2023. On 1 November 2023, the Board reviewed and approved the Internal Control Review Report.

Key Findings of the Internal Control Review

SHINEWING Risk Services has identified the following 15 findings of the Internal Control Review.

As at the date of this announcement, the Company has adopted the recommendations given by SHINEWING Risk Services on the findings of the Internal Control Review to rectify the internal control deficiencies. SHINEWING Risk Services has also conducted follow-up reviews with the objective of independently following up the rectification of the review findings and all recommendations have been implemented.

Set out below are (i) the internal control deficiencies as identified by SHINEWING Risk Services, and (ii) the findings of SHINEWING Risk Services's follow-up review.

Findings

Remedial actions

Management of Employee Handbook

The Group failed to (1) regularly review the content of the Employee Handbook which lead to the inconsistency with the current practice, (2) maintain the management's approval records of the Administrative Measures for Preventing Conflict of Interest (防止利益衝突管理辦法), and (3) require its employees to acknowledge the receipt of the Administrative Measures for Preventing Conflict of Interest.

In addition to taking into consideration regular review, assessment, and revision of the Employee Handbook based on actual conditions of the Group, the management will communicate with new employees and require them to sign a consent form after distributing the Administrative Measures for Preventing Conflict of Interest to them.

Findings

Remedial actions

Succession plan for Directors and senior management

The Group's current succession plan failed to clarify the successors to each of the senior management and Directors, which may not be able to protect the Group's operations from the resignation or dismissal of senior management and Directors.

The management has (1) discussed with the Directors, management and department heads and their respective successors, and (2) updated the existing succession plan for key positions of the Company.

Operation manual

Chengdu Toyot Pa Shun Pharmacy Co., Ltd. ("**Toyot Pa Shun**") and Chengdu Kexun Pharmaceutical Co., Ltd. ("**Chengdu Kexun**") (collectively the "**Subsidiaries**"), the subsidiaries of the Company, failed to properly resolve the handover of work and documents of their certain resigning employees, resulting in the lack of the management's approval records for some operation manual. In addition, some operation manual may not reflect actual operations.

The management has (1) established handover procedures for resigning employees, (2) required all departments to specify a competent officer to maintain the documents with regular review and update of the operation manual as necessary.

Internal audit function

The management has engaged an external independent internal control consultant to review the Group's risk management and internal control system on a regular basis, but the Group has not established a comprehensive internal audit policy.

The management has established a sound internal audit system, whereby specifying the responsibilities, workflow, authority, and reporting relationship of the internal audit function.

Findings

Remedial actions

Management of monthly financial close processes and accounting system

Toyot Pa Shun failed to make provisions for costs in the month when they are incurred, while the Subsidiaries failed to maintain approval track records for the Statements of Financial Position and Statement of Profit or Loss, and failed to maintain records of the applications and approvals for changes in chart of accounts, and Chengdu Kexun failed to keep track records of the management's approval for the Accounting Vouchers.

The management has required the finance department, with effect from September to October 2023, to (1) properly review, approve and file the Accounting Vouchers, Statement of Financial Position and Statement of Profit or Loss and (2) maintain track records of such reviews. The management established draw up application forms for adding or changing accounting items and require proper storage of files.

Management of procurement price comparison and accounts payable

The purchasing staff of Toyot Pa Shun failed to (1) retain quotations and (2) keep records of pricing analysis for supplier selection, while Chengdu Kexun failed to prepare the "Aging Analysis Report of Accounts Payable" on a monthly basis, and the Subsidiaries failed to maintain review records of the Aging Analysis Report of Accounts Payable.

The management has (1) required Toyot Pa Shun to maintain quotations from suppliers, keep records of supply pricing analysis in the Supplier Quality Assessment Report when conducting the annual supplier assessment, and (2) provided the quotations and assessment reports to the management for approval by signing. In addition, the management has required the Subsidiaries to prepare the "Aging Analysis Report of Accounts Payable" on a monthly basis for approval by the management, and approval records of the Aging Analysis Report of Accounts Payable should be kept.

Findings

Inventory Management

Toyot Pa Shun failed to (1) establish annual materials reserve quotas, and (2) submit the “Inventory Aging Analysis” to the management for review, while Chengdu Kexun failed to (1) establish proper function for reviewing “Sales Outbound Delivery Orders”, (2) assign another personnel from the warehouse department of the storage and transportation center to review the “Sales Outbound Delivery Cancellation Request Forms” and record the reasons for adjusting sales delivery records, and (3) keep records of insurance price comparisons together with management’s approval records.

Fixed asset procurement and management

Chengdu Kexun failed to (1) keep records of approval for fixed asset requisition and the record of the comparison of prices from suppliers, and (2) retain delivery notes and quality check result records. Toyot Pa Shun failed to (1) assign independent identification numbers to respective fixed asset in its “Fixed Asset List”, (2) establish processes for recording fixed asset disposal and management approval, and (3) update the status of the assets on the list in a timely manner. The Subsidiaries failed to conduct quarterly fixed asset taking, and maintain annual fixed asset taking records.

Remedial actions

The management has required Toyot Pa Shun to (1) establish materials reserve quotas, (2) submit the “Inventory Aging Analysis” as prepared by accountants to the management for review, and (3) keep the review track records. In addition, the management has required Chengdu Kexun to (1) submit the “Sales Outbound Delivery Orders” prepared under the Yonyou ERP system to the relevant manager for signing and confirmation, (2) record the reasons for adjusting sales delivery records in the “Sales Outbound Delivery Cancellation Request Forms”, which will be submitted to the relevant manager for confirmation with approval records kept, and (3) keep records of insurance price comparisons together quotations from insurance companies, which will be submitted to the management for approval with related records kept.

The management has required the relevant departments of Chengdu Kexun to (1) maintain approval records of fixed asset purchases, suppliers’ quotations and price comparison results, (2) promptly submit delivery notes and quality check result records to the finance department for preparing accounting records based on the acceptance dates. Toyot Pa Shun has updated the “Fixed Asset List” with independent identification numbers, and established application processes for fixed asset disposal. The Subsidiaries have conducted quarterly fixed asset inventory taking and record all inventory taking results, which shall be signed by inventory officers and supervisors and properly maintained.

Findings

Remedial actions

Management of social insurance and housing provident fund, performance appraisal and salary adjustment

The Subsidiaries failed to (1) make contributions to social insurance and housing provident fund for their employees based on the actual salary of employees, and (2) keep records of results of performance appraisal of their employees, and Chengdu Kexun failed to issue salary adjustment notices to relevant employees.

The management has (1) assessed the relevant risks, and (2) adopted necessary rectification measures. The management has (1) established appraisal criteria and record appraisal results for employee performance, and (2) issued salary adjustment confirmation to employees who are subject to salary adjustments.

For the social insurance and housing provident fund, the management has arranged the same and is now in place.

Human resource management

The Subsidiaries failed to (1) prepare the “Employee Formal Employment Approval Form (員工轉正審批表)” after the expiration of the probationary period of the new recruits, (2) issue a notice of formal employment (轉正通知) to the employees, (3) require the employees to submit the written resignation application in advance, and (4) approve the “Leave Application Form (請假單)” in accordance with the requirements of the operation manual.

The management has required (1) department heads to prepare an “Employee Formal Employment Approval Form (員工轉正審批表)” for recording the employee’s application for formal employment, and issue a notice of formal employment to the employee, (2) the employees to submit in writing to department heads in advance his/her resignation within the time limit as set out in the management system, and (3) the employee to submit a “Leave Application Form (請假單)” to the management in charge for approval in accordance with the requirements of the management system, and the relevant department to ensure proper storage of the aforesaid documents.

Findings

Remedial actions

Tax filing

The Subsidiaries failed to (1) keep Chief Financial Officer's approval records of the tax returns and related calculation statements, and (2) report and pay taxes based on actual profits or losses.

The management (1) has required the Finance Department to maintain proper records of the relevant tax statements and returns approved by the Chief Financial Officer as supporting documents, and (2) will report and pay taxes based on actual profits or losses.

User authority management for the financial management system and the inventory management system (collectively the "Abacus Systems (金算盤系統)")

Toyot Pa Shun failed to (1) properly categorise the user authorities of its personnel in the Abacus Systems in accordance with their functions, and (2) remove the accounts of resigning employees.

The management has categorized the authority of the personnel from the Finance Department in the Abacus Systems in accordance with their functions, by restricting the authority of the personnel from the Finance Department to access the inventory management module, as well as removing or freezing the accounts of resigning employees.

Information systems management

The Subsidiaries failed to (1) establish password strategies for their systems, (2) regularly review the user authorities of all systems, (3) maintain results of regular data recovery tests on systems, (4) maintain the management's approval record of business continuity plans and disaster recovery plans, (5) use software licensed by software developers and restrict software downloads, (6) conduct regular spot checks on employees' computers, and (7) maintain a list of approved software and ensure proper storage of documents related to information system management.

The management (1) has set appropriate complexity requirements for login passwords for different systems, (2) has and will regularly review the authorities of all systems and recording the review results, (3) has and will conduct regular backup recovery tests of the data of various systems, (4) has prepared business continuity plans and disaster recovery plans, (5) has restricted employees' access to install software on computers, (6) has created a list of authorised software and establishing a sound file management mechanism.

Findings

Remedial actions

Corporate Governance Code

The Company failed to (1) provide trainings to Directors and maintain the training records of Directors, (2) keep proper records of dividend policy and nomination policy, (3) maintain insurance policies for Directors, (4) regularly report the financial positions of the Group to the Board for review, (5) require the signature of certain Directors for some minutes of Board meetings, and (6) maintain records of the Directors' approval for certain operation manual in respect of corporate governance.

The management has (1) provided training to all Directors and keeping records of their training attendance, (2) arranged appropriate insurance arrangements for legal actions that may be filed against the Directors of the Company and are now in place, (3) required the responsible officers to submit monthly financial statements to the Board for review and keeping records of Directors' approvals, (4) prepared dividend policy and nomination policy, (5) required all Directors to sign the attendance form of the Board meeting, submitted the relevant management system to the Board for review and keep records of relevant approvals, and (6) clarified the relevant deviation in the Company's Corporate Governance Report with reasons.

Compliance process relating to the relevant Listing Rules (not applicable to risk ratings)

The Group failed to maintain the approval evidence of the management over the compliance policy of Chapter 14A of the Listing Rules (Connected Transactions) and Part XIVA of the Securities and Futures Ordinance (Disclosure of Inside Information).

The management has presented the relevant operation manual to the Board for review and approval, and circulated the said operation manual to relevant personnel for follow-up.

In a separate review, SHINEWING Risk Services has also identified the following deficiency in the investment management of the Group:

Investment management

The Group has not established the scope of approval authority for investment nor stipulated the requirement to require the person who proposes the investment to abstain from voting during the approval process. The Group also did not obtain performance report of its investment.

The Company has compiled the investment management policy, the same of which has been reviewed by SHINEWING Risk Services. For more details, please refer to the paragraph headed "Remedial Action Taken by the Board" on pages 11 and 12 of this announcement.

Opinion of the Board and the Independent Investigation Committee

Having considered the Internal Control Review Report and the rectification measures taken by the Group, in particular, the follow-up review conducted by SHINEWING Risk Services on the enhanced internal control measures adopted by the Group, the Board and the Independent Investigation Committee are of the view that (i) the major internal control deficiencies as mentioned above have been remedied and the associated risks have been controlled at a reasonable level; and (ii) the rectification actions and improvement measures implemented by the Company are sufficient to address the key findings of the Internal Control Review Report.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 3.

Resumption Guidance 4: demonstrate the Company's compliance with Rule 13.24 of the Listing Rules

The Group is principally engaged in two business segments, namely:

- (a) Pharmaceutical distribution; and
- (b) Pharmaceutical manufacturing.

Pharmaceutical distribution

The Company procures pharmaceutical and healthcare products along with medical devices from commercial suppliers and pharmaceutical manufacturers. For the year ended 31 December 2022, the Company distributed approximately 1,260 pharmaceutical and healthcare products, medical devices and cosmetic products. No single product contributed over 5% of the Group's revenue for any of the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 (the "**Recent Periods**").

These products are then sold on a wholesale basis mainly to:

- (a) pharmaceutical wholesalers, who subsequently resell the products to end consumers, retail shops, hospitals, or other medical institutions;
- (b) franchise retail pharmacy stores operating under the "Pa Shun" brand; and
- (c) hospitals and other medical institutions in rural areas in the Chengdu region of Sichuan province, through a government-organized tender process.

For the year ended 31 December 2022, the Group had approximately 69 customers, among which approximately 11 were pharmaceutical wholesalers, 2 were franchise retail pharmacy stores, and 56 were hospitals and other medical institutions in rural areas.

For the Recent Periods, the external revenue generated from pharmaceutical distribution was RMB42.72 million and RMB28.97 million respectively, accounting for 60% and 40% of the total revenue of the Group for the same periods respectively.

Pharmaceutical Manufacturing

The Company manufactures and sells five pharmaceutical products, namely Zhenghonghua embrocation (正紅花油), Honghua embrocation (紅花油), Baihua embrocation (白花油), Compound Dexamethasone Acetate Cream (複方醋酸地塞米松乳膏) and Ampicillin Capsules (氨苄西林膠囊).

During the Recent Periods, the Company generated revenue of RMB21.45 million and RMB11.41 million from pharmaceutical manufacturing respectively. These amounts accounted for 30% and 14% of the Company's total revenue for those same periods respectively.

The Group manufactures five pharmaceutical products at its production facilities located in Chengdu, Sichuan province, the PRC.

The Group employs a diverse array of equipment in its pharmaceutical manufacturing operations, including but not limited to bottle washing machines, four-tube liquid filling machines, vacuum emulsification machines, automatic filling machines, multidirectional movement mixers, fully automatic capsule filling machines, auto-blister packaging machines, automatic paper folding machines, and electronic pharmaceutical code supervision systems. Rigorous repair and maintenance protocols are established for all major pieces of equipment.

Equipment operators are tasked with the completion and submission of operation records for all key equipment on a monthly basis to the engineering department. Equipment administrators subsequently inspect these records and analyze the condition of the major equipment based on this data.

As of the date of this announcement, the Company employed approximately 57 staff at its pharmaceutical manufacturing plant located in Chengdu, Sichuan province, the PRC. The Company possesses all relevant licenses, permits, and certificates required for its pharmaceutical manufacturing operations, including the GMP certification.

The Company primarily distributed its self-manufactured products by way of wholesale to its distributors at a discount from the recommended retail price. These distributors then sell the products to end customers or resell them to sub-distributors. The Company delivers its products to locations designated by the distributors, and revenue is recognized upon their acceptance. As at the date of this announcement, the Company's distributors and their sub-distributors have established an extensive retail network for the self-manufactured products, covering 30 provinces, municipalities, and autonomous regions in China.

As at the date of this announcement, the Company has approximately 90 full-time staff.

Financial performance of the Group

For the year ended 31 December 2022 and the six months ended 30 June 2023:

- (a) the revenue of the Group was approximately RMB71.8 million and RMB82.8 million respectively;
- (b) the gross profit of the Group was approximately RMB15.8 million and RMB20.1 million respectively;
- (c) the net cash (used in) generated from operating activities was approximately (RMB9.67 million) and RMB4.12 million respectively; and
- (d) the net loss of the Group was approximately RMB65.2 million and the net profit of the Group was approximately RMB4.5 million.

The fact that the Group made a net loss for the year ended 31 December 2022 was attributable to, inter alia, the one-time impairment of RMB24.6 million on the property development project and one-time impairment of RMB21.0 million on trade and other receivables and prepayments and deposits paid were made during the year ended 31 December 2022 while no such impairments were made during the six months ended 30 June 2023.

The financial results of the Group for the year ended 31 December 2022 was, to a large extent, affected by the COVID-19 pandemic and the travel restrictions measures in 2022. With the pandemic being contained and relaxation of restrictions measures in 2023, business and economic activities in the PRC have gradually returned to normal. The Company expects that market demand would recover as compared to the relatively low figures in 2022.

The financial results of the Group for the nine months ended 30 September 2023 further improved. Based on the financial records of the Group, for the nine months ended 30 September 2023, the revenue and the gross profit of the Group amounted to approximately RMB100.2 million and RMB24.0 million respectively.

The management has also endeavoured to streamline its business. The gross margin of the Group increased from 15.1% for the year ended 31 December 2021 to 22.0% for the year ended 31 December 2022 and further improved to 24.3% for the six months ended 30 June 2023.

Financial position of the Group

As at 31 December 2022 and 30 June 2023:

- (a) the total assets of the Group was approximately RMB197.0 million and RMB212.8 million respectively; and

- (b) the property, plant and equipment was approximately RMB35.6 million and RMB34.2 million respectively.

The property, plant and equipment are mainly equipment used in the manufacturing of pharmaceutical products.

The liquidity position has been improved significantly since 31 December 2022. The Group has total cash and cash equivalents of RMB1.90 million and RMB15.6 million as at 31 December 2022 and 30 June 2023 respectively. In light of the aforesaid, the Group has sufficient working capital to support its daily operation.

Conclusion and the Board's View

As demonstrated above, the Group:

- (a) has been operating the same principal business (with no business discontinuation) with a significant scale and long history since 1989;
- (b) is able to maintain a level of operating activities, that generate sufficient revenue to its cover corporate expense with a net profit in the first half of 2023. The net loss reported for the year ending on 31 December 2022 is indicative of a temporary downturn, driven primarily by distinctive adverse market conditions such as the COVID-19 pandemic and one-off impairment charges. According to Guidance Letter GL106–19, the Company would not be viewed as having failed to meet Rule 13.24(1) of the Listing Rules solely on the basis of these temporary circumstances;
- (c) operates a business model with business substance, as demonstrated by the large number of customers and suppliers, and having a significant entry barrier which requires relevant licenses, permits and certificates for our pharmaceutical manufacturing operation (including the GMP certification). The business model is also in line with industry norm with proper infrastructure, managed by experienced staff with appropriate expertise, qualifications and skills;
- (d) has sufficient assets to support an operation that generates sufficient revenue and profits to warrant a continued listing. It is pertinent to note that the assets of the Group are not idle assets, but are revenue-generating in nature which are used to support the Company's operations;
- (e) has the Re-Re Amended Petition against the Company dismissed by the High Court of Hong Kong and the Scheme of Arrangement becoming effective; and
- (f) has been taking steps to improve its liquidity and by virtue of the implementation of the Scheme of Arrangement, it will further strengthen its liquidity position to support future business growth.

The Board is of the view that the Group has a viable and sustainable business with a sufficient level of operations and assets of sufficient value to support its operations to meet the requirements of Rule 13.24 of the Listing Rules and warrant the continued listing of the shares on the Stock Exchange.

In light of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 4.

Resumption Guidance 5: have the winding up petition (or order, if made) withdrawn or dismissed

As disclosed in the announcements of the Company dated 18 October 2023, 1 November 2023, 9 November 2023 and 22 November 2023, the Scheme of Arrangement was approved by the requisite majority of the creditors at the Scheme Meeting held on 18 October 2023 and sanctioned without modification by the High Court of Hong Kong on 1 November 2023. The petitioner of the Re-Re Amended Petition has signed a consent summons on 9 November 2023, pursuant to which the petitioner has agreed the Re-Re Amended Petition be dismissed. Order has been pronounced by the High Court of Hong Kong on 20 November 2023 that the Re-Re Amended Petition be dismissed.

In view of the above, the Board considers that the Company has adequately fulfilled Resumption Guidance 5.

Resumption Guidance 6: inform the market of all material information for the Company's shareholders and other investors to appraise its position

Since the suspension of the trading of the Shares on 12 May 2022, the Company has, in accordance with the requirements of the Listing Rules, informed the market the latest situation of the Company by way of publication of announcements including (i) quarterly update on resumption progress; (ii) inside information; (iii) key findings of forensic investigation; (iv) internal control review findings; (v) financial results; (vi) status of the Scheme of Arrangement and the Re-Re Amended Petition and (vii) other matters relating to the Company.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 6.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 1:18 p.m. on 12 May 2022. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 11 December 2023.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

- “Acquisition (1)” the acquisition of the Sale Shares (1) by Ready Gain Limited and the Vendors pursuant to the terms of the Sale and Purchase Agreement (1);
- “Acquisition (2)” the acquisition of the Sale Shares (2) by Big Wish Global Limited and the Vendors pursuant to the terms of the Sale and Purchase Agreement (2);
- “Acquisitions” collectively, the Acquisition (1) and the Acquisition (2);
- “Announcements” the announcements of the Company dated
- (a) 28 March 2022, 31 March 2022, 21 April 2022, 12 May 2022, 24 June 2022, 21 July 2022, 29 November 2022, 30 January 2023, 14 March 2023, 21 April 2023 and 28 April 2023 in relation to the delay in the publication of the annual results of the Company for the year ended 31 December 2021 and 2022 and the interim results of the Company for the six months ended 30 June 2022;
 - (b) 31 May 2022, 8 June 2022, 10 August 2022, 28 September 2022 and 16 January 2023, 6 March 2023 and 24 April 2023 in relation to the Re-Re Amended Petition;
 - (c) 17 August 2022 in relation to the resumption guidance issued by the Stock Exchange;
 - (d) 22 August 2022, 11 November 2022, 13 February 2023, 11 May 2023 and 11 August 2023 in relation to the quarterly update on the progress of resumption of trading in the shares of the Company;
 - (e) 8 March 2019 and 19 March 2019 in relation to the acquisition of the entire issued shares of Bisan Parkwell Consultants Limited;
 - (f) 3 April 2019, 4 April 2019 and 12 April 2019 in relation to the acquisition of the entire issued shares of Parkwell Services Consultants Limited;

- (g) 17 August 2023 and 27 October 2023 in relation to the establishment of independent investigation committee and forensic investigation;
- (h) 8 September 2023, 15 September 2023, 18 October 2023 and 2 November 2023 in relation to the Scheme of Arrangement;
- (i) 2 November 2023 in relation to the annual results of the Company for the year ended 31 December 2021, the interim results of the Company for the six months ended 30 June 2022, the annual results of the Company for the year ended 31 December 2022 and the interim results of the Company for the six months ended 30 June 2023;

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| “Board” | the board of Directors; |
| “CCTH” | CCTH CPA Limited, the auditors of the Company; |
| “Company” | Pa Shun International Holdings Limited (百信國際控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 574); |
| “Consideration (1)” | the total consideration of the Acquisition (1) in the amount of HK\$45,325,000; |
| “Consideration (2)” | the total consideration of the Acquisition (2) in the amount of HK\$19,090,400; |
| “Consideration Shares” | collectively, the Consideration Shares (1) and the Consideration Shares (2); |
| “Consideration Shares (1)” | the aggregate of 82,409,090 new Shares to be allotted and issued by the Company at HK\$0.55 per share to the Vendors (or their respective nominee(s)) to satisfy the Consideration (1); |
| “Consideration Shares (2)” | the aggregate of 34,709,818 new Shares to be allotted and issued by the Company at HK\$0.55 per share to the Vendors (or their respective nominee(s)) to satisfy the Consideration (2); |
| “Developers” | collectively, Apple 99 Development Sdn. Bhd. as the developer and City Mall Sdn. Bhd. as the proprietor for the Properties (1) and the Properties (2); |

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| “Forensic Accountant” | Deloitte & Touche Financial Advisory Services Limited (Guangzhou Branch) (德勤企業顧問(深圳)有限公司廣州分公司), the forensic accountant engaged by the Company; |
| “Forensic Investigation” | independent forensic investigation on the Acquisitions conducted by the Forensic Accountant; |
| “Forensic Investigation Report” | the forensic investigation report dated 20 October 2023 issued by the Forensic Accountant; |
| “Group” | the Company and its subsidiaries; |
| “Guidance Letter” | the letter issued by the Stock Exchange to the Company dated 12 August 2022, setting out the Resumption Guidance; |
| “Independent Investigation Committee” | the independent investigation committee established by the Company on 17 August 2023, 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 the Forensic Investigation; |
| “Internal Control Review” | the internal control review on the Group conducted by SHINEWING Risk Services; |
| “Internal Control Review Report” | the internal control review report dated 26 October 2023 issued by SHINEWING Risk Services; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Mr. Chen” | Mr. Chen Yen Fei, the ex-Chairman, ex-Chief Executive Officer and ex-Executive Director of the Company; |
| “Properties” | collectively, the Properties (1) and the Properties (2); |
| “Properties (1)” | a total of 48 units situated in the building called “The Apple” located in Melaka, Malaysia; |
| “Properties (2)” | a total of 20 units situated in the building called “The Apple” located in Melaka, Malaysia; |
| “Property Agreements” | the agreements in respect of the Property Transactions entered into between the Property Companies and the Developers (as amended by the amendment agreements); |

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| “Property Companies” | collectively, the Property Company (1) and the Property Company (2); |
| “Property Company (1)” | Awesome Applause Sdn Bhd, a private limited company incorporated in Malaysia and the purchaser of the Properties (1); |
| “Property Company (2)” | Massive Goodwell Sdn Bhd, a private limited company incorporated in Malaysia and the purchaser of the Properties (2); |
| “Property Transactions” | the sale and purchase of Properties contemplated under the Property Agreements; |
| “Re-Re Amended Petition” | a petition filed on 30 May 2022 by Mr. Wu Yuehua against the Company in the High Court of Hong Kong for an order that the Company be wound up 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 by the Company, which was subsequently amended and substituted by various supporting creditors (Zhu Shunyun being the existing creditor) with total outstanding amount of HK\$2,573,424.66 in respect of the bond issued and held by the said substituting petitioner by the Company; |
| “Resumption Guidance” | the guidance for the resumption of trading in the Shares as set out in the Guidance Letter; |
| “Sale and Purchase Agreement (1)” | the sale and purchase agreement dated 8 March 2019 and entered into between Ready Gain Limited as purchaser and the Vendors as vendors in respect of the Acquisition (1); |
| “Sale and Purchase Agreement (2)” | the sale and purchase agreement dated 3 April 2019 and entered into between Big Wish Global Limited as purchaser and the Vendors as vendors in respect of the Acquisition (2); |
| “Sale Shares (1)” | an aggregate of 10,000 ordinary shares in the capital of the Target Company (1), representing the entire issued share capital of the Target Company (1); |
| “Sale Shares (2)” | an aggregate of 10,000 ordinary shares in the capital of the Target Company (2), representing the entire issued share capital of the Target Company (2); |
| “Scheme Meeting” | the meeting of the creditors of the Company held on 18 October 2023 for the purpose of considering, and approving, the Scheme of Arrangement; |

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| “Scheme of Arrangement” | the scheme of arrangement proposed by the Company, which was approved by the requisite majority of the creditors during the Scheme Meeting and sanctioned by the High Court of Hong Kong on 1 November 2023; |
| “Shares” | ordinary shares of HK\$0.001 each of the Company; |
| “SHINEWING Risk Services” | SHINEWING Risk Services Limited, the internal control advisors engaged by the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Target Company (1)” | Bisan Parkwell Consultants Limited 百勝百惠顧問有限公司, a company incorporated in Hong Kong with limited liability; |
| “Target Company (2)” | Parkwell Services Consultants Limited 百惠服務顧問有限公司, a company incorporated in Hong Kong with limited liability; |
| “Termination” | the termination of the Sale and Purchase Agreement (1) and the Sale and Purchase Agreement (2) to acquire the Properties (1) and the Properties (2) by way of forfeiture; and |
| “Vendors” | Mr. Yu Kin Wai Perway and Mr. Chu Hin Ming Alfonso, the shareholders of the Target Company (1) and the Target Company (2). |

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

Hong Kong, 8 December 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.