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百信集團
PASHUN GROUP

Pa Shun International Holdings Limited

百信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 574)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 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 audited annual consolidated results of the Group for the year ended 31 December 2023 together with the comparative figures for 2022 as follows:

ANNUAL RESULTS HIGHLIGHTS

- Revenue amounted to approximately RMB129,430,000 (2022: approximately RMB71,784,000).
- Profit/(loss) for the year attributable to equity holders of the Company amounted to approximately RMB2,350,000 (2022: loss of approximately RMB43,379,000).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	NOTES	RMB'000	RMB'000
Revenue	4	129,430	71,784
Cost of sales		<u>(100,000)</u>	<u>(58,483)</u>
Gross profit		29,430	13,301
Other income	5	2,790	519
Other gains/(losses), net	5	14,964	(27,558)
Selling and distribution expenses		(7,246)	(6,046)
General and administrative expenses		(23,597)	(12,834)
Finance costs	6	<u>(12,933)</u>	<u>(10,541)</u>
Profit/(loss) before tax	7	3,408	(43,159)
Income tax expense	8	<u>(1,058)</u>	<u>(220)</u>
Profit/(loss) for the year attributable to equity holders of the Company		<u>2,350</u>	<u>(43,379)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Profit/(loss) for the year		2,350	(43,379)
Other comprehensive expense for the year			
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>(2,929)</u>	<u>(13,639)</u>
Total comprehensive expense for the year attributable to equity holders of the Company		<u>(579)</u>	<u>(57,018)</u>
Earnings/(loss) per share (in RMB cents)	10		
Basic		<u>0.16</u>	<u>(2.94)</u>
Diluted		<u>0.16</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		2023	2022
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		32,397	35,536
Right-of-use assets		1,872	2,277
Interests in associates		–	–
Other intangible assets		26	56
Property development project		48,000	57,000
		<u>82,295</u>	<u>94,869</u>
CURRENT ASSETS			
Inventories		5,378	6,951
Trade and other receivables	11	37,017	17,128
Prepayments and deposits paid		65,329	14,411
Amount due from a shareholder		–	490
Amounts due from related parties		36	35
Income tax recoverable		–	300
Cash and cash equivalents		16,511	1,901
		<u>124,271</u>	<u>41,216</u>
CURRENT LIABILITIES			
Trade and other payables	12	130,169	118,266
Bank borrowings		7,160	4,500
Amount due to a shareholder		804	–
Amounts due to related parties		1,132	616
Corporate bonds payable		83,473	82,525
Other borrowings		24,418	21,312
Income tax payable		588	–
		<u>247,744</u>	<u>227,219</u>
NET CURRENT LIABILITIES		<u>(123,473)</u>	<u>(186,003)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(41,178)</u>	<u>(91,134)</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Deferred income – government grant	22,005	22,517
Deferred tax liabilities	1,997	1,869
Other borrowings	50,919	–
	<u>74,921</u>	<u>24,386</u>
NET LIABILITIES	<u>(116,099)</u>	<u>(115,520)</u>
CAPITAL AND RESERVES		
Share capital	1,216	1,216
Reserves	(117,315)	(116,736)
DEFICIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	<u>(116,099)</u>	<u>(115,520)</u>

Notes:

1. GENERAL

Pa Shun International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was incorporated in the Cayman Islands on 3 May 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 June 2015. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company during the year was Unit K, 3/F, Wanda Industrial Building, 328 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong and has been changed to Suites 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong with effect from 19 February 2024.

The functional currency of the Company is Hong Kong dollar (“**HK\$**”). The consolidated financial statements of the Company are presented in Renminbi (“**RMB**”) for easy reference of international investors.

The principal activity of the Company is investment holding.

The trading of shares of the Company on the Stock Exchange suspended as from 12 May 2022 and the trading has been resumed on 11 December 2023.

2. 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.

Going concern

Notwithstanding that the current liabilities of the Group at 31 December 2023 exceed the Group’s current assets at that date by RMB123,473,000, which includes the corporate bonds payable and other borrowings amounted to RMB83,473,000 and RMB24,418,000 respectively; and the total liabilities of the Group at 31 December 2023 exceed the Group’s total assets at that date by RMB116,099,000, 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 to be implemented:

- (a) During the year, the Company announced for the proposed scheme of arrangement (“**Scheme of Arrangement**”) for the restructuring of its overall indebtedness position, under which
 - (i) All unsecured and non-preferential claims (“**Scheme Claims**”) shall be discharged and released in full as against the Company on the date on which the Scheme of Arrangement becomes unconditional and comes into effect;

- (ii) The 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.

The initial payment of HK\$5 million in the year 2024 is to be financed by a deposit of HK\$8 million seized by the administrator of the Scheme of Arrangement as at 31 December 2023, which are included in prepayment and deposits paid in the consolidated financial statements.

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 is effective subject to various conditions to be fulfilled, details of which are set out in the Announcement. Up to the date of approval of these consolidated financial statements, all the conditions have been fulfilled and the Scheme of Arrangement becomes effective on 12 March 2024.

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 is 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 being undertaken by the Group 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.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 4 to the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 Amendments will not result in reclassification of the Group's liabilities.

4. REVENUE

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Pharmaceutical distribution	107,036	50,333
Pharmaceutical manufacturing	22,394	21,451
	<u>129,430</u>	<u>71,784</u>

5. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Bank interest income	3	7
Corporate bonds payable waived	905	–
Deferred income – government grant	512	512
Short-term lease rental income	1,370	–
	<u>2,790</u>	<u>519</u>
Other gains/(losses), net		
Impairment loss on:		
Inventories	(147)	(347)
Property development project	(9,000)	(17,000)
Trade receivables	–	(4,066)
Other receivables	–	(5,276)
Prepayments and deposits paid	(12,770)	(929)
Reversal of impairment loss on:		
Trade receivables	20,235	–
Other receivables	2,660	–
Prepayments and deposits paid	14,000	–
Write-off of property, plant and equipment	(335)	(2)
Others	321	62
	<u>14,964</u>	<u>(27,558)</u>

6. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on:		
Bank borrowings	499	646
Corporate bonds payable	6,602	7,361
Other borrowings	5,829	2,494
Lease liabilities	3	40
	<u>12,933</u>	<u>10,541</u>

7. PROFIT/(LOSS) BEFORE TAX

Loss before tax is arrived at after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories (<i>note i</i>)	100,000	58,483
Salaries, wages and other benefits	7,562	7,959
Contributions to defined contribution retirement plans	664	601
Total staff costs (<i>note ii</i>)	8,226	8,560
Amortisation of intangible assets	30	55
Depreciation of property, plant and equipment	2,872	2,670
Depreciation of right-of-use assets	405	900
Auditors' remuneration		
Audit services	1,493	1,632
Non-audit services	226	–
	<u>226</u>	<u>–</u>

Notes:

- (i) Cost of inventories includes depreciation expenses totalled RMB100,000 (2022: RMB914,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

8. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	930	92
Deferred tax		
Origination and reversal of temporary differences	<u>128</u>	<u>128</u>
	<u>1,058</u>	<u>220</u>

Notes:

- (i) The Group is subject to income tax on an entity based on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) Pursuant to rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for both of the years presented.
- (iv) The Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25% (2022: 25%).

9. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2023 (2022: Nil) nor had any dividend been proposed since the end of the reporting period (2022: Nil).

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the year attributable to equity shareholders of the Company of RMB2,350,000 (2022: loss for the year attributable to equity shareholders of the Company of RMB43,379,000) and the weighted average of approximately 1,474,993,000 ordinary shares (2022: 1,474,993,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

Weighted average number of ordinary shares

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

The diluted earnings per share for the year ended 31 December 2023 is the same as the basic earnings per share for the year as there are no other potential dilutive ordinary shares in issue during the year ended 31 December 2023. The diluted loss per share for the year ended 31 December 2022 is not presented as there were no other potential dilutive shares in issue during that year.

11. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and commercial bills receivables	27,006	10,091
Bank bills receivables	1,369	1,349
Other receivables	8,642	5,688
	<u>37,017</u>	<u>17,128</u>

Notes:

Trade and commercial bills receivables

Ageing analysis of trade and commercial bills receivables

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	14,079	10,091
1 to 3 months	9,276	–
4 to 6 months	3,651	–
	<u>27,006</u>	<u>10,091</u>

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

12. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables (<i>note (i)</i>)	32,631	33,434
Lease liabilities	–	374
Contract liabilities (<i>note (ii)</i>)	12,700	22,560
Accrued corporate bond interest	29,510	19,532
Accrued interest for other borrowings	7,537	5,332
Accrued professional fee	8,774	–
Other payables	39,017	37,034
	<u>130,169</u>	<u>118,266</u>

Notes:

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	3,769	5,948
1 to 3 months	3,766	4,240
Over 3 months	25,096	23,246
	<u>32,631</u>	<u>33,434</u>

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

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

13. CONTINGENT LIABILITIES

As at 31 December 2023 and 31 December 2022, there were the following legal claims against the Group:

- (a) 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.

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

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 Scheme of Arrangement became effective on 12 March 2024.

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, 15 September 2023, 25 September 2023, 18 October 2023 and 1 November 2023.

- (c) 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 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. The Petition was dismissed by the High Court at the hearing on 17 January 2022.

- (d) 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.

On 24 July 2023, the Amended Petition was heard at the High Court before a Judge, the Amended Petition filed by the Petitioner was struck out and the supporting creditor, Zhu Shunyun (“**Second Substituting Petitioner**”) was granted to substitute the petition (“**Re-Re-Amended Petition**”) remains subsisting. The Re-Re-Amended Petition was filed by the Second Substituting Petitioner against the Company for the Company’s failure to settle the principal sum and interest payment with total amount of approximately HK\$2,573,000 in respect of the bond issued to the Second Substituting Petitioner by the Company. The Second Substituting 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.

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, 25 July 2023 and 22 November 2023 for details.

14. EVENT AFTER THE REPORTING PERIOD

Except for the Scheme of Arrangement becoming effective on 12 March 2024 as disclosed in note 13(b), there was no significant events occurred subsequent to the end of reporting period.

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2023 includes the following paragraphs regarding qualified opinion (the "Qualified Opinion"):

QUALIFIED OPINION

We have audited the consolidated financial statements of Pa Shun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit and loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, except for the effects on the matter as described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

BASIS FOR QUALIFIED OPINION

Property development project

As disclosed in note 19 to the consolidated financial statements, the Group had a property development project with the carrying amount of approximately RMB57,000,000 at 31 December 2022 and impairment loss on the property development project amounted to approximately RMB17,000,000 were recognised in profit and loss of the Group in respect of the prior year ended 31 December 2022. As detailed in our auditor's report dated 1 November 2023 on the Group's consolidated financial statements for the year ended 31 December 2022, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the amount of the impairment losses on the property development project were properly recognised on the consolidated financial statements for the prior years ended 31 December 2022 and 31 December 2021. Any adjustments, if required, to be made to increase/decrease the amounts of impairment losses recognised for the prior years and to decrease/increase the carrying amount of the property development project as at 31 December 2022, might have a corresponding decrease/increase in the amount of impairment loss recognised for the property development project for the year ended 31 December 2023. Our 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 2022.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements that the net current liabilities and net liabilities of the Group at 31 December 2023 amounted to approximately RMB123,473,000 and RMB116,099,000 respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 2 to the consolidated financial statements, the directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the year ended 31 December 2023.

Revenue

For the year ended 31 December 2023, the Group recorded a total revenue of RMB129.4 million, representing an increase of approximately 80.3% from RMB71.8 million for 2022. 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 year ended 31 December 2023.

Cost of Sales, Gross Profit and Gross Profit Margin

The Group’s cost of sales increased by approximately 71.0% from RMB58.5 million for the year ended 31 December 2022 to RMB100.0 million for the year ended 31 December 2023. Such increase of cost of sales was generally in line with the increase in revenue during the year.

The Group’s gross profit increased by approximately 121.3% from RMB13.3 million for the year ended 31 December 2022 to RMB29.4 million for the year ended 31 December 2023. The Group’s gross profit margin increased from 18.5% for the year ended 31 December 2022 to 22.7% for the year ended 31 December 2023. Such change is primarily attributable to the shift of focus of its pharmaceutical distribution business from wholesaler customers to hospital customers where the Group could sell at higher margin.

Selling and Distribution Expenses

The Group’s selling and distribution expenses increased by approximately 19.8% from RMB6.0 million for the year ended 31 December 2022 to RMB7.2 million for the year ended 31 December 2023. The increase was attributable to the increase in the revenue of the Group and more selling activities and promotions could be done during the year ended 31 December 2023 after the Epidemic was under control in early 2023.

General and Administrative Expenses

The Group’s general and administrative expenses increased by approximately 83.9% from RMB12.8 million for the year ended 31 December 2022 to RMB23.6 million for the year ended 31 December 2023. The increase was due to the increase in business volume of the Group during the year ended 31 December 2023 and legal and professional fees incurred for handling debt restructuring and trading resumption of the Company.

Other Income

Other income increased to RMB2.8 million for the year ended 31 December 2023 (2022: RMB0.5 million) mainly due to the short-term lease income of RMB1.4 million and waiver of corporate bond payables of RMB0.9 million upon settlement of certain corporate bonds with discounted principal amount during the year ended 31 December 2023, while no such rental income nor waiver were recorded in 2022.

Other Gains/(Losses), Net

Other gains/(losses), net changed from other net losses of RMB27.6 million for the year ended 31 December 2022 to other net gains of RMB15.0 million for the year ended 31 December 2023, which are mainly due to the following reasons:

- (i) impairment on property development project of RMB17.0 million during the year ended 31 December 2022. There was no progress for the property development project during the year ended 31 December 2022 up to the date of this announcement. During the year ended 31 December 2022, the management of the Group conducted impairment assessment of value on the land by an independent firm of professional valuers with recognised qualifications and experiences, B.I. Appraisals Limited, based on market-based approach methodology for the land and impairment loss amounted to RMB17.0 million, was recognised on profit or loss during the year ended 31 December 2022. Further impairment of RMB9 million was recorded for the year ended 31 December 2023 due to the property market downturn in 2023; and
- (ii) reversal of impairment loss on trade receivables, other receivables and prepayments and deposits with total amount of RMB36.9 million, due to the settlement from debtors during the year ended 31 December 2023 that were impaired in previous years.

Finance Costs

Finance costs slightly increased to RMB12.9 million for the year ended 31 December 2023 (2022: RMB10.6 million). Finance costs of the Group mainly comprises interests accrued on the corporate bonds payables and bank and other borrowings of the Group. The increase in finance cost was due to the increase in other borrowings during the year ended 31 December 2023.

Profit/(Loss) for the Year

As a result of the foregoing, the Group's profit for the year ended 31 December 2023 was approximately RMB2.4 million as compared to a loss of RMB43.4 million for the year ended 31 December 2022.

OUTLOOK

With the Epidemic becoming under control and relaxation of restriction measures in 2023, business and economic activities in the PRC have gradually returned to normal. Accordingly, the Company expects that the market demand would recover as compared to the relatively low figures in 2022. The management of the Group will 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 will endeavour to work out feasible proposals with a view to implement the debt restructuring of the Company.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB16.5 million as at 31 December 2023 as compared to RMB1.9 million as at 31 December 2022.

The Group recorded net current liabilities of RMB123.5 million and RMB186.0 million as at 31 December 2023 and 31 December 2022 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.50 as at 31 December 2023, as compared with 0.18 as at 31 December 2022.

As at 31 December 2023, the total amount of bank borrowing was RMB7.2 million, as compared to RMB4.5 million as at 31 December 2022. As at 31 December 2023, the total amount of other borrowings was RMB75.3 million (2022: RMB21.3 million).

As at 31 December 2023, the total number of issued ordinary shares of the Company (“**Shares**”) was 1,474,992,908 Shares (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 31 December 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 years ended 31 December 2022 and 2023.

During the period between 2016 and 2018, the Company issued unsecured corporate bonds with aggregate principal amount of HK\$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. As at 31 December 2023, 18 corporate bonds with aggregate principal amount of HK\$52.7 million matured and the Company has outstanding unpaid principal amount of HK\$33.1 million of matured corporate bonds as at 31 December 2023.

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

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, 25 July 2023 and 22 November 2023 for details.

As at 31 December 2023, except as disclosed above, the Group did not have any significant contingent liabilities.

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

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

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

FOREIGN EXCHANGE RISKS

The functional currency of the Group is Renminbi while a portion of the 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 between Renminbi and Hong Kong dollars. Apart from the above, most of the assets and transactions of the Group are denominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated from operations in Renminbi. Therefore, the Group is not exposed to any significant foreign exchange risks.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 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 31 December 2023, the Group had a total of 90 (31 December 2022: 92) staff, primarily in the PRC. The total staff cost was RMB8.2 million (2022: RMB8.6 million) for the year ended 31 December 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 final dividend for the year ended 31 December 2023 (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 C1 to the Listing Rules which was effective during the year as its own code of corporate governance. Save as disclosed below, during the year ended 31 December 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 until 6 December 2023. 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. From 7 December 2023 to the date of this announcement, the Company has insurance cover for its directors.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors.

Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Pursuant to Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee shall consist of not less than three members.

Pursuant to Rule 3.27A of the Listing Rules, an issuer must establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors. Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee shall consist of not less than three members.

During the annual general meeting of the Company held on 22 February 2024, (i) Professor Xiao Kai retired as an executive Director and also ceased to be the chairman of the Board; (ii) Mr. Feng Junzheng retired as an executive Director; (iii) Mr. Zhang Tong retired as a non-executive Director; (iv) Mr. Chen Yunwei retired as a non-executive Director and also ceased to be a member of the Nomination Committee; and (v) Mr. Cao Lei retired as an independent non-executive Director and also ceased to be the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Corporate Governance Committee. Ms. Li Yan was appointed as the chairman of the Remuneration Committee with effect from 22 February 2024.

Following the retirement of the aforesaid Directors, the Company had only two independent non-executive Directors, only two members in each of the Audit Committee, the Nomination Committee and the Remuneration Committee. This falls below the minimum number of independent non-executive directors under Rule 3.10(1) of the Listing Rules, the minimum number of members of audit committee requirement under Rule 3.21 of the Listing Rules and the minimum number of members of the Remuneration Committee and the Nomination Committee under the respective terms of reference. The Company is identifying suitable candidate(s) to fill the above vacancies. Further announcement will be made by the Company when the relevant appointment is made.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions ("Model Code"). Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code for the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 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

Except for the Scheme of Arrangement becoming effective on 12 March 2024 as disclosed in note 13(b) of the consolidated financial statements, there was no significant events subsequent to the end of reporting period.

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 two independent non-executive Directors as at the date of this announcement, namely, Ms. Li Yan and Mr. Khor Khie Liem Alex. The chairman of the Audit Committee is Ms. Li Yan. The Audit Committee has reviewed with the management and auditor of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the annual financial results for the year ended 31 December 2023.

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, CCTH CPA Limited, to the amounts set out in the Group's audited financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CCTH CPA Limited on the preliminary announcement.

On behalf of the Board
Pa Shun International Holdings Limited
Yuan Hongbing
Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Director is Mr. Yuan Hongbing and the independent non-executive Directors are Ms. Li Yan and Mr. Khor Khie Liem Alex.

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.pashun.cn under the section of "Investor Relations/HKEx Filings" respectively. The annual report of the Company for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.