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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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONSOLIDATED ANNUAL RESULTS

For the reasons explained below under the paragraph headed “Delay in publication of audited final results for the year ended 31 December 2021 and despatch of the annual report for the year ended 31 December 2021” below, the auditing process for the annual results of Pa Shun International Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) has not been completed as at the date of this announcement. The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces the unaudited consolidated results of the Group for the year ended 31 December 2021 together with the comparative audited figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	Year ended 31 December	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	3	86,426	474,835
Cost of sales		<u>(73,471)</u>	<u>(457,138)</u>
Gross profit		12,955	17,697
Other income and gains	4(a)	13,466	16,991
Other net losses	4(b)	(40,103)	(414,576)
Selling and distribution expenses		(8,491)	(8,085)
General and administrative expenses		(16,851)	(26,268)
Finance costs	5	<u>(14,951)</u>	<u>(11,520)</u>
Loss before tax		(53,975)	(425,761)
Income tax (expense)/credit		<u>(408)</u>	<u>6,572</u>
Loss for the year		<u>(54,383)</u>	<u>(419,189)</u>
Attributable to:			
Equity shareholders of the Company		(54,383)	(418,454)
Non-controlling interests		<u>–</u>	<u>(735)</u>
Loss for the year		<u>(54,383)</u>	<u>(419,189)</u>
Loss per share (in RMB cents)	7		
Basic		<u>(3.69)</u>	<u>(28.37)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Loss for the year	(54,383)	(419,189)
Other comprehensive (loss)/income 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>(6,607)</u>	<u>13,670</u>
Total comprehensive loss for the year	<u>(60,990)</u>	<u>(405,519)</u>
Attributable to:		
Equity shareholders of the Company	(60,990)	(404,784)
Non-controlling interests	<u>–</u>	<u>(735)</u>
Total comprehensive loss for the year	<u>(60,990)</u>	<u>(405,519)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>NOTES</i>	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		39,522	40,910
Right-of-use assets		3,696	4,188
Interests in associates		42,485	42,881
Other intangible assets		25,231	26,677
Property development project		185,797	185,797
Deferred tax assets		4,640	4,640
		<hr/> 301,371	<hr/> 305,093
CURRENT ASSETS			
Inventories		10,237	17,950
Trade and other receivables	8	66,730	81,980
Prepayments and deposits paid		87,974	82,548
Amounts due from related parties		2	85
Pledged bank deposits		–	10,087
Cash and cash equivalents		2,272	5,262
Income tax recoverable		–	180
		<hr/> 167,215	<hr/> 198,092
CURRENT LIABILITIES			
Trade and other payables	9	126,552	103,811
Bank borrowings		7,858	8,000
Amount due to a shareholder		542	550
Amounts due to associates		2	2
Amounts due to related parties		238	145
Corporate bonds payable		77,211	87,751
Other borrowings		14,094	–
Income tax payable		1,237	–
		<hr/> 227,734	<hr/> 200,259
NET CURRENT LIABILITIES		<hr/> (60,519)	<hr/> (2,167)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 240,852	<hr/> 302,926

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Deferred income – government grant	23,029	23,541
Lease liabilities	829	1,403
	<u>23,858</u>	<u>24,944</u>
NET ASSETS	<u>216,994</u>	<u>277,982</u>
CAPITAL AND RESERVES		
Share capital	1,216	1,216
Reserves	215,778	276,766
	<u>216,994</u>	<u>277,982</u>
Total equity attributable to equity shareholders of the Company	<u>216,994</u>	<u>277,982</u>

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group, comprising the Company and its subsidiaries, have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the “**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements have also been prepared in accordance with the applicable disclosures required by the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group. The Group incurred losses amounting to approximately RMB54,383,000 for the years ended 31 December 2021, and the Group had net current liabilities of amounted to approximately RMB60,519,000 as at 31 December 2021. Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. The directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) With reference to the cash flow forecast prepared by the Group’s management for the twelve months ending 31 December 2022, the Group will be able to generate adequate cash flows from its continuing operations and to obtain sufficient fundings to meet the debts of the Group as and when they fall due in the foreseeable future.
- (ii) The directors of the Company are considering various alternatives, including but not limited to new long term debts to be secured by pledge of the assets involved in the property development project and issue of new shares, to obtain additional funds to finance the Group’s working capital and the repayment of existing debts when they fall due.

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

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

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

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

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

Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions for the first time and early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due to or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases (“HKFRS 16”) if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group’s financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of HKFRS 16 to account for rent concessions provided by certain lessors.

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

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

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

3. REVENUE

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

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Pharmaceutical distribution	62,402	447,106
Pharmaceutical manufacturing	<u>24,024</u>	<u>27,729</u>
	<u><u>86,426</u></u>	<u><u>474,835</u></u>

4. OTHER INCOME AND GAINS AND OTHER NET LOSSES

(a) Other income and gains

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Franchise fee	–	3,357
Bank interest income	103	45
Interest income from loan receivables	–	3,099
Gain on disposal of subsidiary	–	5,908
Gain on disposal of associate	7,158	–
Reversal of write-off of other payables	–	(541)
Net foreign exchange gains	–	57
Royalty fee income	4,000	4,000
Deferred income – government grant	518	512
Others	<u>1,687</u>	<u>554</u>
	<u><u>13,466</u></u>	<u><u>16,991</u></u>

(b) Other net losses

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Impairment loss on:		
Property, plant and equipment	–	7,200
Investment in associates	–	6,088
Trade receivables	28,015	242,887
Other receivables	12,000	62,407
Prepayments and deposits paid	–	102,237
Reversal of impairment loss on:		
Trade receivables	–	(6,263)
Write-off of property, plant and equipment	72	20
Others	16	–
	<u>40,103</u>	<u>414,576</u>

5. FINANCE COSTS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest on:		
Bank borrowings	504	671
Corporate bonds payable	13,420	10,664
Other borrowings	978	98
Lease liabilities	49	87
	<u>14,951</u>	<u>11,520</u>

6. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2021 (2020: Nil) nor had any dividend been proposed since the end of the reporting period (2020: Nil).

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB54,383,000 (2020: RMB418,454,000) and the weighted average of approximately 1,474,993,000 ordinary shares (2020: 1,474,993,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Weighted average number of ordinary shares

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

Diluted loss per share for the year ended 31 December 2021 and 31 December 2020 is not presented as there were no other potential ordinary shares in issue for the year ended 31 December 2021.

8. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade and commercial bills receivables	28,513	53,521
Bank bills receivables	677	1,427
Other receivables	37,540	27,032
	<u>66,730</u>	<u>81,980</u>

9. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade payables	31,068	29,201
Accrued corporate bond interest	13,420	10,286
Other payables	82,064	64,324
	<u>126,552</u>	<u>103,811</u>

UNAUDITED FINANCIAL RESULTS

For the year ended 31 December 2021, the Group recorded revenue from operations of RMB86.4 million (2020: RMB474.8 million), representing a decrease of 81.8% from 2020. The Group's gross profit of the operations decreased to RMB13.0 million for the year ended 31 December 2021 from RMB17.7 million recorded in 2020, with the gross profit margin improved to 15.0%. The Company recorded a decrease in the loss attributable to the equity shareholders of the Company for the year ended 31 December 2021 to RMB54.4 million from that of RMB418.5 million recorded in 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the year ended 31 December 2021, the Group recorded a total revenue of RMB86.4 million, representing an decrease of approximately 81.8% from RMB474.8 million for 2020. Such decrease was primarily due to (i) the drop in revenue from the Group's pharmaceutical distribution to wholesalers due to vigorous competition; and (ii) the outbreak of the novel coronavirus (COVID-19) epidemic (“**Epidemic**”) that has spread across China and other countries and it has adversely affected the business and economic activities of the Group.

Cost of Sales, Gross Margin and Gross Profit Margin

The Group's cost of sales decreased by approximately 83.9% from RMB457.1 million for the year ended 31 December 2020 to RMB73.5 million for the year ended 31 December 2021. Such decrease of cost of sales was in line with the decrease in revenue during the year.

The Group's gross profit decreased by approximately 26.8% from RMB17.7 million for the year ended 31 December 2020 to RMB13.0 million for the year ended 31 December 2021. The Group's gross profit margin increased from 3.7% for the year ended 31 December 2020 to 15.0% for the year ended 31 December 2021. Such change is primarily attributable to the cost control over the business of pharmaceutical distribution to wholesalers by limiting its scale.

Selling and Distribution Expenses

The Group's selling and distribution expenses slightly increased by approximately 5.0% from RMB8.1 million for the year ended 31 December 2020 to RMB8.5 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in advertising costs incurred for promoting the business of the Group under the Epidemic.

General and Administrative Expenses

The Group's general and administrative expenses decreased by approximately 35.8% from RMB26.3 million for the year ended 31 December 2020 to RMB16.9 million for the year ended 31 December 2021. The decrease was attributable to the Group's disposal of the interest in, and the loss in the control in the board of directors of 成都百信藥業連鎖有限責任公司 (for identification purpose only, Chengdu Pashun Pharmacy Chain Store Co., Ltd.) ("CPPCSCL") on 30 June 2020 and 30 September 2020.

Other Income and Gains

Other income and gains decreased by approximately 20.7% from RMB17.0 million for the year ended 31 December 2020 to RMB13.5 million for the year ended 31 December 2021. The decrease was primarily attributable to the absence of franchise fee income and gain on disposal of CPPCSCL as a result of the disposal of the interest in, and the loss in the control in the board of directors of CPPCSCL in 2020, in the year under review, which was partially offset by gain of RMB7.2 million recognised upon further disposal of CCPCSCCL (as an associate of the Group) during the year ended 31 December 2021.

Other Net Losses

The Group recorded other net loss of RMB40.1 million for the year ended 31 December 2021, representing a decrease of approximately 90.3% from RMB414.6 million in 2020. The decrease was mainly due to the decrease in impairment loss on trade receivables, other receivables and prepayment and deposits paid.

Finance Costs

Finance costs increased by approximately 29.8% from RMB11.5 million for the year ended 31 December 2020 to RMB15.0 million for the year ended 31 December 2021. Such increase in finance costs of the Group were mainly due to the increase in the overdue interests accrued on the corporate bonds payables of the Group and interests incurred for other borrowings of the Group.

Loss Before Tax

Loss before tax decreased by approximately 87.3% from RMB425.8 million for the year ended 31 December 2020 to RMB54.0 million for the year ended 31 December 2021. The improvement was primarily due to (i) the improvement of operating results (higher gross profit margin); and (ii) the decrease in other net losses and general and administrative expenses as disclosed above.

Income Tax Expense

Income tax changed from income tax credit of RMB6.6 million for the year ended 31 December 2020 to income tax expense of RMB0.4 million for the year ended 31 December 2021. The increase in income tax expense was primarily due to the improvement of operating results in the year under review.

Loss for the Year

As a result of the foregoing, the Group's loss for the year decreased by approximately 87.0% from RMB419.2 million for the year ended 31 December 2020 to RMB54.4 million for the year ended 31 December 2021.

OUTLOOK

With the Epidemic being under control in the PRC, the economy of the PRC is gradually recovering. The Group will continue to leverage on its solid foundation in the PRC and make good use of its existing resources and networks to capture the opportunities to expand to other business through various business development strategies, at the same time diversify its business risk to other investment segments and other countries. With the acquisition of two companies which indirectly hold interest in certain units located in the building called “The Apple” which is a multi-storey building located in Melaka, Malaysia, the Group made its first step to explore and invest in the Malaysia property market in 2019. Due to the Epidemic and lock down in Malaysia, the construction of the properties were delayed and the time of completion of construction was uncertain and may delay to 2023. The Company currently intends to hold the properties for investment purpose to generate rental income for the Group and will engage a local professional property manager to manage the properties and the leasing business upon the completion of construction of the properties. The Company will further seek other similar opportunities to reduce the operation risk of the Group.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

The Group recorded net current liabilities of RMB60.5 million and RMB2.2 million as at 31 December 2021 and 31 December 2020 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.73 as at 31 December 2021, as compared with 0.99 as at 31 December 2020. The net current liabilities of the Group as at 31 December 2021 has arisen from (i) the decrease in total cash and cash equivalents and pledged bank deposits; (ii) the decrease in trade and other receivables; (iii) the decrease in corporate bonds payable; and (iv) the increase in other borrowings in the year under review.

As at 31 December 2021, the total amount of bank loans was RMB7.9 million, as compared with RMB8.0 million as at 31 December 2020. As at 31 December 2021, the total amounts of other borrowings was RMB14.1 million (2020: Nil).

As at 31 December 2021, the total number of issued ordinary shares of the Company was 1,474,992,908 shares (2020: 1,474,992,908 shares) (“**Shares**”). In 2018, the Company has granted to certain eligible persons share options (“**Options**”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 31 December 2021, 100,000,000 share options remained outstanding. Please refer to the announcements of the Company dated 7 September 2018 for details of the grant of the Options. No options were granted in 2020 and 2021.

During 2016 to 2018, the Company issued unsecured corporate bonds with principal amount of HK\$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. As at 31 December 2021, fifteen corporate bonds with aggregate principal amount of HK\$47.2 million was matured and the Company repaid a matured corporate bond with principal amount of HK\$13.7 million during the year ended 31 December 2021.

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

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

CONTINGENT LIABILITIES

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

As at 31 December 2021, except as disclosed above, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISKS

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2021, the Group did not make any other significant investments, acquisitions or disposals that would constitute a discloseable transaction under Chapter 14 of the Listing Rules.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 95 (2020: 165) staff, primarily in the PRC. The total staff cost was RMB7.0 million (2020: RMB11.3 million) for the year ended 31 December 2021.

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

CORPORATE GOVERNANCE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules then in force as its own code of corporate governance during the year ended 31 December 2021. During the year ended 31 December 2021, the Company complied with the code provisions set out in the CG Code, save as disclosed below.

With effect from 18 December 2020, Mr. Hung Hing Hung resigned as the company secretary of the Company. Following the resignation of Mr. Hung Hing Hung as the company secretary of the Company and up to the appointment of Mr. So Wing Chun as the company secretary of the Company with effect from 13 December 2021, there was breach of code provision F.1.4 of the CG Code which requires that all directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed and Rules 3.05 and 3.28 of the Listing Rules.

With effect from 1 February 2021, Mr. Liu Liangzhong (“**Mr. Liu**”) resigned as an independent non-executive Director, the chairman of each of the audit committee (“**Audit Committee**”) and the remuneration committee (“**Remuneration Committee**”), and a member of each of the nomination committee (“**Nomination Committee**”) and the corporate governance committee (“**CG Committee**”). Following the resignation of Mr. Liu on 1 February 2021, the Company had no independent non-executive Directors, no member of the Audit Committee, no member of the Nomination Committee and no member of the Remuneration Committee, and did not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who met the same requirements under Rule 3.10(2) of the Listing Rules.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Pursuant to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.10(A) of the Listing Rules, a listed issuer must appoint independent non-executive directors representing at least one-third of the board. Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Pursuant to Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Pursuant to code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Following the resignation of Mr. Liu, it fell below the minimum number of independent non-executive directors and members of audit committee requirement under Rules 3.10(1) and 3.21 of the Listing Rules and the number of the independent non-executive Directors fell below one-third of the Board as required under Rule 3.10(A) of the Listing Rules. The Board did not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who met the same requirements under Rule 3.10(2) of the Listing Rules. The Company did not have the Remuneration Committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules. The Company did not have the Nomination Committee which was chaired by the chairman of the Board or an independent non-executive Director and comprised a majority of independent non-executive Directors as required under code provision A.5.1 of the CG Code.

With effect from 22 February 2021, (1) Professor Xiao Kai was appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee; (2) Mr. Yang Bo was appointed as an executive Director; (3) Mr. Cao Lei was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and the CG Committee, and a member of each of the Audit Committee and the Nomination Committee; (4) Mr. Ng Wai Tsan was appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the CG Committee; and (5) Mr. Chen Yongsheng was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the CG Committee.

As disclosed in the announcement of the Company dated 30 June 2021, the following changes in corporate positions took place with effect from the conclusion of the annual general meeting for the year ended 31 December 2020 held on 30 June 2021:

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

Following the retirement of the above Directors, the Company had no independent non-executive Directors, no member of the Audit Committee, no member of the Nomination Committee and no member of the Remuneration Committee. This fell below the minimum number of independent non-executive directors and members of audit committee requirement under Rules 3.10(1) and 3.21 of the Listing Rules and the number of the independent non-executive Directors fell below one-third of the Board as required under Rule 3.10(A) of the Listing Rules. The Company did not have the Remuneration Committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules; and the Nomination Committee which was chaired by the chairman of the Board or an independent non-executive Director and comprises a majority of independent non-executive Directors as required under code provision A.5.1 of the CG Code. In addition, the Board did not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who met the same requirements under Rule 3.10(2) of the Listing Rules.

With effect from 29 October 2021, (1) Professor Xiao Kai has been appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee; (2) Mr. Feng Junzheng has been appointed as the chief executive officer of the Company and an executive Director; (3) Mr. Zhang Tong has been appointed as a non-executive Director; (4) Mr. Chen Yunwei has been appointed as a non-executive Director; (5) Ms. Luo Ke has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee, the Remuneration Committee and the CG Committee; (6) Mr. Cao Lei has been appointed as an independent non-executive Director, the chairman of each of the Remuneration Committee and the CG Committee, a member of each of the Audit Committee and Nomination Committee; and (7) Mr. Ding Qing has been appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the CG Committee. With effect from 13 December 2021, Mr. So Wing Chun has been appointed as the company secretary of the Company.

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

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

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

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Luo Ke, Mr. Cao Lei and Mr. Ding Qing. The chairman of the Audit Committee is Ms. Luo Ke who has appropriate professional qualifications. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the unaudited annual financial results for the year ended 31 December 2021.

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 (“**Model Code**”) set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard as set out in the Model Code during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DELAY IN PUBLICATION OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Due to the recent COVID-19 outbreak in Mainland China and Hong Kong, the auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed as at the date of this announcement as the auditing processes of the annual results of the Group for the year ended 31 December 2021 have been adversely affected by the restrictions on travel, logistics and others imposed in Mainland China and Hong Kong to control the pandemic, in addition to the number of confirmed cases of COVID-19 among the staff of the auditor of the Company and the independent valuer of the Company. In particular, the Company's independent valuer and auditor have not been able to complete their respective valuation and audit work in relation to certain trade and other receivables, prepayments and deposit paid, interests in associates (two Malaysia companies), patents included in other intangible assets and property development project located in Chengdu. The unaudited annual results contained herein have not been agreed with the Company's auditor as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the Group's annual results for the year ended 31 December 2021 as agreed with the Company's auditor will be published when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Having considered the current progress of the audit work, it is expected that unforeseen circumstances and upon completion of the relevant audit and valuation work by the auditor of the Company and the Company's independent valuer respectively, the announcement relating to the annual results of the Group for the year ended 31 December 2021 as agreed with the auditor of the Company and the annual report of the Company for the year ended 31 December 2021 will be published by 29 April 2022.

The unaudited annual results contained herein have been reviewed by and agreed with the Audit Committee.

UNCERTAINTY OF THE UNAUDITED ANNUAL RESULTS

As disclosed above under the paragraph headed “Delay in publication of audited final results for the year ended 31 December 2021 and despatch of the annual report for the year ended 31 December 2021”, the valuation and audit work in respect of certain trade and other receivables, prepayments and deposits paid, interests in associates, patents included in other intangible assets and the property development project located in Chengdu and confirmations circularisation, etc., are not yet completed as at the date of this announcement. As a result, including but not limited to, trade and other receivables, prepayments and deposits paid, interests in associates, other intangible assets and the property development project as at 31 December 2021 as mentioned in this announcement are uncertain and may be subject to impairment.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2022

As at the date of this announcement, the executive directors of the Company are Professor Xiao Kai, Mr. Feng Junzheng and Mr. Shen Shun; the non-executive directors of the Company are Mr. Zhang Xiongfeng, Mr. Zhang Tong and Mr. Chen Yunwei; and the independent non-executive directors of the Company are Ms. Luo Ke, Mr. Cao Lei and Mr. Ding Qing.

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