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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)

**INSIDE INFORMATION
KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION
AND
CONTINUED SUSPENSION OF TRADING**

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

Reference is made to the Announcements, including, in particular, the announcement dated 17 August 2022 regarding the Resumption Guidance (the “**Announcement on Resumption Guidance**”).

RESUMPTION GUIDANCE

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1:18 p.m. on 12 May 2022.

As disclosed in the Announcement on Resumption Guidance, the Company shall, inter alia, conduct an appropriate independent forensic investigation into the Acquisitions (including the two side agreements), the Termination and the other related matters raised by the Company’s auditors, announce the findings and take appropriate remedial actions.

BACKGROUND

Acquisition (1)

On 8 March 2019 (after trading hours), Ready Gain Limited, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement (1) with the Vendors in relation to the Acquisition (1) at the Consideration of HK\$45,325,000, which shall be satisfied by the Purchaser procuring the allotment and issue of the Consideration Shares (1) by the Company to the Vendors (or their respective nominee(s)). The Target Company (1) held 49% of the legal and beneficial interest in the issued share capital of the Property Company (1), which entered into the relevant Property Agreement to acquire the Properties (1). Completion took place on 19 March 2019 and the aggregate of 82,409,090 Consideration Shares (1) were issued to the Vendors, at the issue price of HK\$0.55 per Consideration Share (1).

For further details about the Acquisition (1), please refer to the announcements of the Company dated 8 March 2019 and 19 March 2019.

Acquisition (2)

On 3 April 2019 (after trading hours), Big Wish Global Limited, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement (2) with the Vendors in relation to the Acquisition (2) at the Consideration of HK\$19,090,400, which shall be satisfied by the Purchaser procuring the allotment and issue of the Consideration Shares (2) by the Company to the vendors (or their respective nominee(s)). The Target Company (2) held 49% of the legal and beneficial interest in the issued share capital of the Property Company (2), which entered into the relevant Property Agreement to acquire the Properties (2). Completion took place on 12 April 2019 and the aggregate of 34,709,818 Consideration Shares (2) were issued to the Vendors, at the issue price of HK\$0.55 per Consideration Share (2).

For further details about the Acquisition (2), please refer to the announcements of the Company dated 3 April 2019 and 12 April 2019.

Subsequently, the Property Transactions were terminated in April 2022.

INVESTIGATION

The Company has engaged Deloitte & Touche Financial Advisory Services Limited (Guangzhou Branch)(德勤企業顧問(深圳)有限公司廣州分公司)(the “**Forensic Accountant**”) as the Company’s forensic accountant to conduct an independent forensic investigation into the Acquisitions (the “**Forensic Investigation**”).

On 20 October 2023, the Company received the forensic investigation report (the “**Forensic Investigation Report**”) from the Forensic Accountant, details of which are set out as follows:

THE SCOPE OF THE FORENSIC INVESTIGATION

For the purpose of the Forensic Investigation, the Forensic Accountant conducted the following procedures:

- (i) obtained and reviewed various documents and reports, including but not limited to the Sale and Purchase Agreement (1), the Sale and Purchase Agreement (2), the Property Agreements, the board resolutions approving the Acquisitions and the issue of the Consideration Shares, the Malaysian legal opinion, the valuation reports, etc.;
- (ii) obtained and reviewed the information relating to the Properties (1) and the Properties (2);
- (iii) conducted interviews with the certain existing directors and former directors of the Company and parties involved in the Acquisitions, etc.;
- (iv) conducted background checks and public searches on (i) the Vendors, (ii) the Developers and its parent companies, and (iii) the Properties; and
- (v) retrieved the data from the computer and email account of Mr. Chen and Mr. Shen Shun (another former executive Director).

SUMMARY OF KEY FINDINGS

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

- (a) The Company entered into the Acquisition (1) in March 2019 and the Acquisition (2) in April 2019.
- (b) At the material time the Sale and Purchase Agreement (1) and the Sale and Purchase Agreement (2) were entered into, the Property Companies did not own the titles of the Properties. Instead, the Property Companies have only entered into the Property Agreements with the Developers. The Property Agreements were subsequently amended by amendment agreements, pursuant to which the payment obligations of the Property Companies were transferred to the Vendors.
- (c) According to Mr. Chen:
 - (i) although the Company focused on the manufacture and distribution of pharmaceutical products, the profitability of such business continued to drop and there was little room for growth. Since 2017, the Company had tried to explore other opportunities in property investment in order to diversify the business risks faced by the Company;

- (ii) in January 2019, the Vendors, who were friends of Mr. Chen, introduced Mr. Chen to the property project in Malaysia;
 - (iii) Mr. Chen and the Vendors went to Malaysia to inspect the property project and Mr. Chen decided to proceed with the investment in the property project in Malaysia in order to generate stable income stream and achieve capital appreciation for the Company;
 - (iv) the reason why the consideration of the Acquisitions was satisfied by way of issue of the Consideration Shares was that the Company had insufficient cashflow at the material time, and such issue of shares would not affect the normal operation of the Company;
 - (v) the reason why the Company did not impose any other restrictions or conditions for the issue of the Consideration Shares was that the Vendors would not accept the same due to the low trading volume of the Shares and the potential difficulties in disposing of the same;
 - (vi) Mr. Chen was not aware of the transaction structure and has delegated the staff of the Company and other professional advisors to handle the same. However, the Forensic Accountant observed that what Mr. Chen claimed is inconsistent with the surrounding circumstances. Mr. Chen should be aware that the Properties were not yet transferred to the Property Companies;
 - (vii) the construction of the Properties was interrupted by the outbreak of COVID-19 and was suspended. He also resigned as the chairman, executive director and chief executive officer of the Company in June 2020 due to personal reasons.
- (d) There was no provision under the Sale and Purchase Agreement (1) and the Sale and Purchase Agreement (2) on the payment obligations of the Vendors under the Property Transactions.
 - (e) It was observed that the Acquisitions were proposed by Mr. Chen and other Directors were not involved in the liaison with the counterparties of the transaction.
 - (f) After the resignation of Mr. Chen, there was no management who was responsible for liaising with the Vendors on the progress of the Acquisitions, the Properties and the payment of the purchase price of the Properties. The Company was only informed by the Vendors in early 2022 that payment of the purchase price of the Properties was not made in a timely manner.

- (g) According to the Vendors:
- (i) they have paid 10% of the total purchase prices of the Properties, i.e. approximately HK\$8 million (the “**Prepayment**”). The amount of Prepayment was consistent with the amount as shown on the termination notice and the bank transaction records;
 - (ii) since the share price of the Company continued to fall and the trading volume remained low, the proceeds from the disposal of the Consideration Shares were insufficient to support the payment of the balance of the purchase prices of the Properties;
 - (iii) they have already disposed of most of the Consideration Shares before the suspension of trading in Shares on 12 May 2022. Due to the continued drop in the share price of the Company and forfeiture of Prepayment, they have suffered loss from the Acquisitions.
- (h) The Forensic Accountant observed that the share price of the Company dropped significantly in May 2019. Mr. Chen said he was not aware of the reasons for such significant drop in share price.
- (i) According to the parent company of the Developers:
- (i) they did not directly contact the Group. Rather, they only dealt with the Property Companies, which were represented by the Vendors;
 - (ii) the main reason why the Property Transactions were terminated was that the Vendors failed to pay the purchase prices of the Properties in a timely manner in accordance with the Property Agreements despite repeated requests and indulgence granted by the Developers. Since the outbreak of COVID-19 in 2020, the Developers did not receive any further payments from the Vendors. Therefore, the Developers issued the termination notice to the Vendors to terminate the Property Transactions on 8 April 2022 and forfeited the Prepayment.
- (j) On 16 June 2022, the Vendors have delivered the termination notices dated 8 April 2022 issued by the Developers to the Company.
- (k) The Forensic Accountant has tried to retrieve the data from the computer and email accounts of Mr. Chen and Mr. Shen Shun (another former executive Director) and nothing abnormal was discovered.

OVERALL RESPONSES OF THE INDEPENDENT INVESTIGATION COMMITTEE AND THE BOARD

The Independent Investigation Committee and the Board have reviewed the Forensic Investigation Report and consider that the contents and findings of the Forensic Investigation Report are reasonable and acceptable. Accordingly, the Independent Investigation Committee and the Board adopt the findings of the Forensic Investigation.

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

REMEDIAL ACTIONS TAKEN BY THE BOARD

The Company has implemented the following internal control measures on investment management to prevent reoccurrence of any investments similar to those of the Acquisitions:

- (a) Policy and procedures have been established for investment management, include but not limited to the analysis and approval procedures for investment and declaration of interest. Such policy has been approved by the Audit Committee and the Board. The approved policy has been circulated to the relevant staff to follow up. Besides, a briefing session has been provided to the relevant staff to ensure their understanding on the investment policy and procedures.
- (b) Investment Department is responsible for all investment activities to ensure risk management is in place to maximize the return from investment and prevent the occurrence of non-compliance incident while the Financial Controller and the Company Secretary are responsible for monitoring the implementation of the policy and reviewing the documents related to the investment. Authority matrix has been established for the approval of investment in different amount of consideration.
- (c) When there is a potential investment, the Investment Department would gather the information of the investment to assess the background, risk, performance, expected return and consideration of the investment. The Finance Department would also check if there is any potential conflict of interest and connected person related to the investment. External consultant, such as lawyer, valuer, financial advisor and auditor, will be appointed to provide advice on the investment after the comparison of different external consultant likes qualification and experience, proposed services charge, etc, subject to the nature and size of the investment and the Listing Rules requirement.
- (d) All the assessment results and advices will be submitted to the Chief Executive Officer and Chairman and/or Executive Director who are independent from the investment, for review and approval. If the consideration of the investment exceeds HKD4,000,000, approval from the Board is required. The approver, including the Board, is required to declare their interest before attending the discussion in relation to the investment and making the investment decision.

- (e) All of the assessment results, advices and approvals of the Directors and/or Board are recorded in writing.
- (f) At the meanwhile, the Financial Controller and the Company Secretary will assess as to whether the investment constitutes notifiable transaction in accordance with the Listing Rules requirements by conducting the size tests calculation. Announcement and relevant documents will be prepared and submitted to the regulatory authority, if required, after the review and approval of the Board.
- (g) The investment agreement will only be signed and executed after the approval of the Board. The Financial Controller and the Company Secretary will arrange settlement of the consideration only after obtaining the consent from the Board.
- (h) After signing the investment agreement, the Investment Department and the Finance Department will closely monitor the investment, including but not limited to the expected return, risk and performance of investment. The Investment Department would also ask for the performance report/financial report of the investment for assessment. The Financial Controller and the Company Secretary will report the investment performance to the Board on a monthly basis.
- (i) The Investment Department, the Financial Controller and the Company Secretary will promptly inform the Chief Executive Officer and Chairman and/or the Executive Director who are independent from the investment, if the face value of the investment is less than 5% of the consideration of the investment. Approval from the Board is required, with the consideration, face value, remedial action and exit plan, etc., if they decide to dispose of the investment.

The Board is of the view that, with the above internal control measures, the Company will be able to monitor and control the risks of investments in the future.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 1:18 p.m. on 12 May 2022 and will continue to be suspended until publication of the annual results of the Company for the year ended 31 December 2021 and the other results announcement thereafter.

The Company will make further announcement(s) to keep its shareholders and potential investors informed of any progress on the fulfilment of the Resumption Guidance as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing with the securities of the Company.

DEFINITIONS

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

“Acquisition (1)”	the acquisition of the Sale Shares (1) by Ready Gain Limited and the Vendors pursuant to the terms of the Sale and Purchase Agreement (1);
“Acquisition (2)”	the acquisition of the Sale Shares (2) by Big Wish Global Limited and the Vendors pursuant to the terms of the Sale and Purchase Agreement (2);
“Acquisitions”	collectively, the Acquisition (1) and the Acquisition (2);
“Announcements”	collectively, the announcements of the Company dated (i) 28 March 2022, 31 March 2022, 21 April 2022, 12 May 2022, 24 June 2022, 21 July 2022, 27 October 2022, 29 November 2022, 30 January 2023, 14 March 2023, 28 April 2023, 5 May 2023 and 31 August 2023 in relation to delay in publication of its various financial results, (ii) 31 May 2022, 8 June 2022, 16 January 2023, 10 August 2022, 28 September 2022, 16 January 2023, 9 March 2023 in relation to winding up petitions and (iii) 17 August 2022, 22 August 2022, 11 November 2022, 13 February 2023 and 12 May 2023 in relation to the Resumption Guidance, its quarterly updates and the investigations thereof, and (iv) 8 March 2019 and 19 March 2019, 3 April 2019, 4 April 2019 and 12 April 2019 in relation to the Acquisitions;
“Board”	the board of Directors;
“Company”	Pa Shun International Holdings Limited (百信國際控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 574);
“Consideration (1)”	the total consideration of the Acquisition (1) in the amount of HK\$45,325,000;
“Consideration (2)”	the total consideration of the Acquisition (2) in the amount of HK\$19,090,400;
“Consideration Shares”	collectively, the Consideration Shares (1) and the Consideration Shares (2);

“Consideration Shares (1)”	the aggregate of 82,409,090 new Shares to be allotted and issued by the Company at HK\$0.55 per share to the Vendors (or their respective nominee(s)) to satisfy the Consideration (1);
“Consideration Shares (2)”	the aggregate of 34,709,818 new Shares to be allotted and issued by the Company at HK\$0.55 per share to the Vendors (or their respective nominee(s)) to satisfy the Consideration (2);
“Developers”	collectively, Apple 99 Development Sdn. Bhd. as the developer and City Mall Sdn. Bhd. as the proprietor for the Properties (1) and the Properties (2);
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Chen”	Mr. Chen Yen Fei, the ex-Chairman, ex-Chief Executive Officer and ex-Executive Director of the Company;
“Properties”	collectively, the Properties (1) and the Properties (2);
“Properties (1)”	a total of 48 units situated in the building called “The Apple” located in Melaka, Malaysia;
“Properties (2)”	a total of 20 units situated in the building called “The Apple” located in Melaka, Malaysia;
“Property Agreements”	the agreements in respect of the Property Transactions entered into between the Property Companies and the Developers (as amended by the amendment agreements);
“Property Companies”	collectively, the Property Company (1) and the Property Company (2);
“Property Company (1)”	Awesome Applause Sdn Bhd, a private limited company incorporated in Malaysia and the purchaser of the Properties (1);
“Property Company (2)”	Massive Goodwell Sdn Bhd, a private limited company incorporated in Malaysia and the purchaser of the Properties (2);

“Property Transactions”	the sale and purchase of Properties contemplated under the Property Agreements;
“Resumption Guidance”	the guidance for the resumption of trading in the Shares as set out in the letter from the Stock Exchange dated 12 August 2022 to the Company;
“Sale and Purchase Agreement (1)”	the sale and purchase agreement dated 8 March 2019 and entered into between Ready Gain Limited as purchaser and the Vendors as vendors in respect of the Acquisition (1);
“Sale and Purchase Agreement (2)”	the sale and purchase agreement dated 3 April 2019 and entered into between Big Wish Global Limited as purchaser and the Vendors as vendors in respect of the Acquisition (2);
“Sale Shares (1)”	an aggregate of 10,000 ordinary shares in the capital of the Target Company (1) representing the entire issued share capital of the Target Company (1);
“Sale Shares (2)”	an aggregate of 10,000 ordinary shares in the capital of the Target Company (2) representing the entire issued share capital of the Target Company (2);
“Shares”	ordinary shares of HK\$0.001 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company (1)”	Bisan Parkwell Consultants Limited 百勝百惠顧問有限公司, a company incorporated in Hong Kong with limited liability;
“Target Company (2)”	Parkwell Services Consultants Limited 百惠服務顧問有限公司, a company incorporated in Hong Kong with limited liability;
“Termination”	the termination of the Sale and Purchase Agreement (1) and the Sale and Purchase Agreement (2) to acquire the aggregate of the Properties (1) and the Properties (2) by way of forfeiture;

“Vendors”

Mr. Yu Kin Wai Perway and Mr. Chu Hin Ming Alfonso, the shareholders of the Target Company (1) and the Target Company (2).

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

Hong Kong, 26 October 2023

As at the date of this announcement, the executive Directors are Professor Xiao Kai, Mr. Yuan Hongbing and Mr. Feng Junzheng; the non-executive Directors are Mr. Zhang Tong and Mr. Chen Yunwei; and the independent non-executive Directors are Mr. Cao Lei, Ms. Li Yan and Mr. Khor Khie Liem Alex.