Da Sen Holdings Group Limited
大森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1580)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**") of Da Sen Holdings Group Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021.

SUMMARY

- Consolidated revenue decreased by 1 per cent to approximately RMB173 million
- Consolidated operating loss decreased by 42 per cent to approximately RMB119 million
- Loss attributable to equity holders of the Company amounted to approximately RMB119 million
- Basic loss per share: RMB12.23 cents
- The Board did not recommend the payment of a final dividend

REVIEW OF OPERATIONS

Plywood Products

The manufacturing and sales of plywood products is the principal business of the Group. The Group's main production base is strategically located in Heze City, Shandong Province in the People's Republic of China ("**PRC**") where there are abundant resources of poplars, the major raw materials for the plywood products.

The Group's plywood products consist of furniture board（家具板）, ecological plywood（生態板）(also known as melamine faced board（三聚氰胺貼面板）), and hardwood multi-layered board（實木多層板）. All our products are customised depending on our customers' needs.

Customers of the Group are mainly end users, such as furniture manufacturers, equipment manufacturers, decoration or renovation companies, packing material producers, and trading companies. Most customers of the Group's plywood products are located in Eastern China and Southern China regions.

The total revenue of the Group is mainly contributed by the sales of plywood products, which accounted for approximately 99% of the total revenue for the year ended 31 December 2021.

The Group maintains a sizable customer base for the plywood products and there were more than fifty customers of plywood products for the year ended 31 December 2021, out of which the ten largest customers contributed for approximately 54% of the total revenue of plywood products.

Rental Income

Since 1 July 2020, the Group has entered into lease agreements to partially lease out the biomass wood pellets factories to a tenant engaging in agricultural wholesale as well as other factories and land which are surplus to needs in order to generate a stable and recurring rental income, and at the same time reducing the costs in managing these assets.

The rental income of the Group accounted for approximately 1% of the total revenue for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Continuing operations			
Revenue	*4*	**172,748**	175,281
Cost of sales		**(229,799)**	(289,083)
Gross loss		**(57,051)**	(113,802)
Selling and distribution expenses		**(1,140)**	(845)
Administrative expenses		**(16,883)**	(14,584)
Allowance for expected credit losses, net		**(22,629)**	(61,864)
Other income, gains or (losses)	*5*	**(17,662)**	(9,517)
Finance costs	*6*	**(3,745)**	(4,416)
Loss before tax from continuing operations		**(119,110)**	(205,028)
Income tax expense	*7*	**(41)**	(6,246)
Loss for the year from continuing operations	*8*	**(119,151)**	(211,274)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(24,028)
Loss and total comprehensive expenses for the year and attributable to the shareholders of the Company		**(119,151)**	(235,302)
Loss per share for loss from continuing operations attributable to the shareholders of the Company during the year			
– Basic and diluted (expressed in RMB cents per share)	*10*	**(12.23)**	(21.68)
Loss per share for total loss attributable to the shareholders of the Company during the year			
– Basic and diluted (expressed in RMB cents per share)	*10*	**(12.23)**	(24.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	**2021**	2020
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets		**7,352**	10,579
Property, plant and equipment		**37,425**	54,813
Investment properties		**45,160**	45,878
		89,937	111,270
Current assets			
Inventories		**5,116**	47,228
Trade and other receivables	*12*	**82,373**	111,354
Cash and cash equivalents		**3,259**	5,763
		90,748	164,345
Total assets		**180,685**	275,615
EQUITY			
Equity attributable to owners of the Company			
Share capital		**8,592**	8,592
Share premium		**212,502**	212,502
Other reserves		**52,942**	52,942
Accumulated losses		**(223,916)**	(104,765)
		50,120	169,271

	Note	**2021**	2020
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liability			
Deferred income		**267**	292
Current liabilities			
Trade and other payables	*13*	**53,983**	40,333
Deferred income		**25**	25
Receipt in advance		**240**	–
Tax payables		**7,168**	7,168
Amount due to related parties		**6,235**	589
Borrowings		**62,647**	57,937
		130,298	106,052
Total liabilities		**130,565**	106,344
Total equity and liabilities		**180,685**	275,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Da Sen Holdings Group Limited ("**the Company**") is a limited liability company incorporated in the Cayman Islands. The address of its registered office and principal place of business is Cricket Square, Hutchins Drive, P.O. box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 2703, 27th Floor, K. Wah Centre, No. 191 Java Road, North Point, Hong Kong, respectively. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 19 December 2016.

The principal activities of the Company and its subsidiaries (the "**Group**") are the manufacture and sales of plywood prodcuts and leasing. The Group was also engaged in the manufacture and sale of wood pellets which was discontinued last year.

These consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company. All values are rounded to the nearest RMB thousand ("**RMB'000**"), unless otherwise used.

2 BASIS OF PREPARATION

(a) Compliance with International Financial Reporting Standards and Hong Kong Companies Ordinance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance ("**HKCO**").

(b) Going concern basis

For the financial year ended 31 December 2021, the Group incurred a net loss of RMB119,151,000 and recorded a net operating cash outflow of RMB6,761,000. As at 31 December 2021, the Group recorded a net current liabilities of RMB39,550,000, where the Group's current borrowings amounted to RMB62,647,000 in total, including bonds payables of RMB27,860,000 in Hong Kong, bank borrowings of RMB25,287,000 and other loan of RMB9,500,000 from independent third party in the PRC, while the Group's cash and cash equivalents amounted to RMB3,259,000 only.

In respect of the bonds payables in Hong Kong, the Company had defaulted to pay the interests on all of the bonds in the year ended 31 December 2020, thereby triggered the default redemption clause of the bond contracts. As a result of the default in interest payment, the outstanding bonds payables which amounted to RMB29,037,000 as at 31 December 2020 became immediately repayable if requested by the bond holder creditors and these were reclassified as current liabilities as at 31 December 2020. In addition, the Company received several writs of summons and a statutory demand from the bond holder creditors in relation to the overdue payments of the bonds' principals and interests. During the year ended 31 December 2021, the District Court of the Hong Kong Special Administrative Region ordered that judgment be entered in favour of the bond holder creditors against the Company for the principal amounts and interests accrued.

In respect of the bank borrowings in the PRC, the Group defaulted to repay three borrowings from a bank in the PRC, totaling RMB18,900,000, which was due for repayment in January and February 2021. During the year ended 31 December 2021, the bank filed a petition to the People's Court in Chengwu County of Shandong Province for the repayment of the loans and interest accrued and the court ordered the repayment of the principal amount and the interest accrued within the time specified.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. A number of measures have been taken to mitigate the liquidity pressure and to improve the financial position, to refinance its operation and to restructure its debts. These include the followings:

(i) On 30 November 2020, the Company announced a proposed restructuring of the debts in Hong Kong (the "**Proposed Restructuring**"), including the bonds payables and the interests accrued and other liabilities by way of implementing a creditors scheme (the "**Creditors Scheme**"). On 11 January 2022, the Creditors Scheme was sanctioned without modification by the High Court of Hong Kong Special Administrative Region;

(ii) On 8 January 2021, the Company announced a proposed open offer of shares of the Company (the "**Open Offer**") to raise fund for the implementation of the Creditors Scheme. Subsequently, on 17 May 2021 and 1 September 2021, the Company resolved to adjust the terms of the Open Offer (the "**Amended Open Offer**") and it is expected that the proceeds from the Amended Open Offer of HK$23.4 million would be used for settlement of the payment obligations under the Creditors Scheme and working capital of the Group. To support the successful completion of the Amended Open Offer, certain shareholders of the Company have provided irrevocable undertakings to the subscription of the offer shares. The Amended Open Offer is conditional upon the fulfilment of a number of conditions precedent. The directors of the Company expect that the Amended Open Offer will be completed by July 2022;

(iii) The Group has been in discussion with the major shareholders and directors of the Company for providing financing to the Group, and in contact with potential buyers to dispose of certain assets of the Group so as to raise additional cash; and

(iv) The Group will continue its efforts to implement new measures to improve sales such as rolling out new business initiatives with products of higher profit margin, control costs, contain capital expenditures, and accelerate the collection of trade and other receivables and the disposal of inventories so as to enhance the Group's working capital position.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, covering a period of not less than twelve months from the date of this announcement, and are of the view that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from the date of this announcement. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successfully and timely executing the plan of Amended Open Offer. The successful completion of Amended Open Offer would include the obtaining of regulatory approvals at different stages, the necessary and relevant shareholders' approvals as required, compliance with and performance of the irrevocable undertakings by certain shareholders as well as other conditions precedent;

(ii) Successfully and timely raising additional cash through financing from major shareholders and the potential disposal of certain assets of the Group; and

(iii) Successfully implementing the measures to improve sales, control costs, contain capital expenditures as well as to accelerate the collection of trade and other receivables and the disposal of inventories.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

3 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to the Conceptual Framework in IFRS and amendments to IFRSs issued by International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for annual periods beginning on 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9 and IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19 Related Rent Concessions

The application of Amendments to References to the Conceptual Framework in IFRS and amendments to IFRSs in the current year has no material impact on the Group's financial position and performance for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]

[1] Effective for annual periods beginning on or after 1 April 2021.

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

[3] Effective for annual periods beginning on or after 1 January 2023.

[4] Effective date to be determined.

The management of the Group anticipates that the application of these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

	2021	2020
	RMB'000	*RMB'000*
Revenue from contract with customers		
Revenue from sales of plywood	**170,548**	173,859
Revenue from leasing		
Rental income	**2,200**	1,422
	172,748	175,281

All of the Group's revenue from contracts with customers was derived from the transfer of goods at a point in time. Therefore, no disclosure of disaggregation of revenue from contract with customers is presented.

The Group leases out its investment properties. The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

5 OTHER INCOME, GAINS OR (LOSSES)

	2021 RMB'000	2020 RMB'000
Interest income	**5**	13
Net exchange gain	**2**	2,136
Sales of plywood core	**1,647**	2,774
Amortisation of deferred income related to government grants	**25**	25
Write off of other receivables	**(105)**	–
Gain (loss) on disposal of property, plant and equipment	**163**	(1,628)
Other losses	**(476)**	(398)
Write off of construction-in-progress	**–**	(12,439)
Impairment loss on investment properties	**(933)**	–
Impairment loss on property, plant and equipment	**(15,019)**	–
Impairment loss on right-of-use assets	**(2,971)**	–
	(17,662)	(9,517)

6 FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expense on bank borrowings	**2,764**	1,618
Interest expense on bonds payables	**749**	2,428
Interest expense on other loan	**232**	–
Interest expense on lease liabilities	**–**	8
Others	**–**	362
	3,745	4,416

7 INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Income tax expense		
– Current tax	**–**	–
– Under provision of PRC Enterprise Income Tax	**41**	–
– Deferred income tax	**–**	7,280
Represented by:		
Total income tax expense from continuing operations	**41**	6,246
Total income tax expense from discontinued operation	**–**	1,034
	41	7,280

(i) Hong Kong profits tax

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profit tax rate is 16.5% (2020: 16.5%) for the year.

(ii) PRC Enterprise Income Tax ("EIT")

EIT is provided on the assessable income of entities incorporated in the PRC. The applicable EIT tax rate is 25% (2020: 25%) for the year.

(iii) PRC withholding income tax

According to the new EIT law, a 10% withholding tax will be levied on the immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. No withholding tax has been provided as the Group does not expect the PRC subsidiaries to distribute the retained earnings as at 31 December 2021 in the foreseeable future.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	RMB'000	*RMB'000*
Loss before tax from continuing operations	**(119,110)**	(205,028)
Loss before tax from a discontinued operation	**–**	(22,994)
	(119,110)	(228,022)
Tax calculated at PRC EIT 25% (2020: 25%)	**(29,778)**	(57,006)
Under-provision of tax in previous years	**41**	–
Tax effects of:		
– Expenses not deductible for tax purpose	**9,190**	8,019
– Unrecognised temporary differences	**1,210**	20,648
– Different tax rates of subsidiaries operating in other jurisdiction	**724**	–
– Reversal of deferred income tax assets recognised in the previous years	**–**	7,280
– Tax losses not recognised	**18,654**	28,339
Income tax expense	**41**	7,280

8 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging the followings:

	2021	2020
	RMB'000	*RMB'000*
Staff costs, including directors' emoluments	**8,460**	13,348
Retirement benefits scheme contributions, including contributions for directors	**204**	768
	8,664	14,116
Auditor's remuneration	**880**	1,920
Cost of inventories recognised as expense	**217,312**	232,347
Depreciation on property, plant and equipment	**2,406**	4,119
Impairment on property, plant and equipment	**15,019**	2,491
Depreciation on investment properties	**1,541**	1,384
Impairment on investment properties	**933**	28,210
Depreciation on right-of-use assets	**256**	520
Impairment on right-of-use assets	**2,971**	–
Provision for inventory write-down	**–**	7,376
Write off of other receivables	**105**	–
Write off of construction-in-progress	**–**	12,439

9 DIVIDEND

The directors do not recommend the payment of a dividend for the years ended 31 December 2021 and 2020.

10 LOSS PER SHARE

(a) Basic

Basic loss per share for the years ended 31 December 2021 and 2020 are calculated by dividing the loss attributable to the shareholders of the Company by the number of ordinary shares in issue for the respective years.

	2021	2020
	RMB'000	*RMB'000*
Loss attributable to the shareholders		
– From continuing operations	**(119,151)**	(211,274)
– From discontinued operation	**–**	(24,028)
	(119,151)	(235,302)
Number of ordinary shares in issue (thousands)	**974,400**	974,400
Basic loss per share (RMB cents per share)		
– From continuing operations	**(12.23)**	(21.68)
– From discontinued operation	**–**	(2.47)
	(12.23)	(24.15)

(b) Diluted

During the years ended 31 December 2021 and 2020, the diluted loss per share are equal to basic loss per share, as there were no potential ordinary shares in issue for both 2021 and 2020.

11 PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the group acquired RMB110,000 of furniture, fixtures and equipment. Also, the Group disposed of machinery and vehicles with carrying value of RMB73,000 during the year.

12 TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**176,232**	170,825
Less: accumulated allowance for expected credit losses	**(104,582)**	(81,953)
	71,650	88,872
Prepayments for raw materials	**10,723**	14,195
Other receivables	**11,505**	26,258
Less: accumulated allowance for expected credit losses	**(11,505)**	(17,971)
	82,373	111,354

The following is an ageing analysis of trade receivables (net of allowance for expected credit losses) presented based on the invoice dates.

	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**34,798**	40,854
4 to 6 months	**20,068**	17,412
7 to 12 months	**13,766**	30,196
Over 1 year	**3,018**	410
	71,650	88,872

The following table shows the amounts of receivable which are past due but not impaired as the balances related to debtors with sound repayment history and there has not been a significant change in credit quality and the amounts are still considered recoverable.

An aging analysis of trade receivables past due but not impaired is as follows:

	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**20,068**	17,412
4 to 12 months	**13,766**	30,196
Over 1 year	**3,018**	410
	36,852	48,018

13 TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payable	**335**	714
Other taxes payable	**24,850**	18,359
Accrued expenses	**16,810**	10,968
Interest payable	**5,575**	2,764
Advances from customers	**2,068**	1,643
Others	**4,345**	5,885
	53,983	40,333

The following is an analysis analysis of trade payables presented based on the invoice dates.

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**335**	714

14 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation for the year.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in Note 2(b) to the consolidated financial statements, for the financial year ended 31 December 2021, the Group incurred a net loss of RMB119,151,000 and recorded a net operating cash outflow of RMB6,761,000. As at 31 December 2021, the Group recorded a net current liabilities of RMB39,550,000 where the Group's current borrowings amounted to RMB62,647,000 in total, including bonds payables of RMB27,860,000 in Hong Kong, bank borrowings of RMB25,287,000 and other loan of RMB9,500,000 from independent third party in the People's Republic of China ("**PRC**") while the Group's cash and cash equivalents amounted to RMB3,259,000 only. As at 31 December 2021, bonds and related interests of RMB32,550,000 and three bank borrowings in the PRC amounting to RMB16,287,000 in total were defaulted in repayment. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have been taking a number of measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its borrowings, which are set out in Note 2(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties.

As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the plans and measures set out in Note 2(b), it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately RMB173 million for the year ended 31 December 2021, representing a very minor decrease of 1 per cent from approximately RMB175 million in 2020. The management has been able to maintain a solid and stable operations despite the many challenges the Group has encountered in 2021.

The consolidated gross loss of the Group for the year ended 31 December 2021 was approximately RMB57 million, representing a significant decrease of 50 per cent from approximately RMB114 million in 2020. For the year ended 31 December 2021, the gross loss margin was 33 per cent compared to 65 per cent in 2020.

The total selling and administrative expenses were approximately RMB18 million for the year ended 31 December 2021, representing an increase of 17 per cent from approximately RMB15 million in 2020, mainly due to the implementation of more management controls in costs savings and productions.

The consolidated operating loss before tax for the year ended 31 December 2021 decreased to approximately RMB119 million compared to approximately RMB205 million in 2020. Such decrease in loss was mainly due to improvements made in profit margins and other cost control measures in the production process.

The Group recorded lower finance costs of approximately RMB3.7 million for the year ended 31 December 2021 compared to approximately RMB4.4 million for 2020. The decrease was mainly due to the lower interest expense on bond payments, partially offset by higher interest expenses on bank borrowings and third party loan.

The consolidated net loss after taxation was approximately RMB119 million for the year ended 31 December 2021 compared to approximately RMB235 million in 2020. Basic loss per share during the year under review was RMB12.23 cents compared to basic loss per share of RMB24.15 cents in 2020.

Gearing Ratio

During the year ended 31 December 2021, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity of the Company as at the respective period and multiplied by 100%, was approximately 125.0% (2020: approximately 34.2%). During the year ended 31 December 2021, the Group's total interest-bearing debts amounted to approximately RMB62.6 million of bank borrowings. The increase of gearing ratio was primarily attributable to the increase in bank loans.

Current assets and liabilities

As at 31 December 2021, the Group held current assets of approximately RMB91 million (2020: RMB164 million), mainly comprising inventories, cash and cash equivalent, and trade and other receivables.

Cash and cash equivalents balance as at 31 December 2021 decreased to approximately RMB3.3 million as compared to approximately RMB5.8 million as at 31 December 2020. The slight decrease in cash and cash equivalents balance was mainly due to the funding needs of the ongoing operations of the Group.

The Group's inventory balances as at 31 December 2021 comprised of raw materials, work-in-progress and finished goods for plywood products. The decrease in the inventory balance of approximately RMB42 million, from approximately RMB47 million as at 31 December 2020 to approximately RMB5 million as at 31 December 2021, was mainly due to (i) less left over raw materials as a results of costs saving measures, (ii) less work in progress and finished goods of plywood products as at 31 December 2021 due to less purchase orders received by the end of December 2021 and (iii) less raw materials needed a result of more actual prediction of sales in the first quarter of 2022.

Trade and other receivables balance as at 31 December 2021 mainly represented outstanding receivables balance from customers of our plywood products. There was a decrease in trade and other receivables balance of approximately RMB29 million, from approximately RMB111 million as at 31 December 2020 to approximately RMB82 million as at 31 December 2021. The decrease in trade receivables balance was mainly due to allowance for expected credit losses of trade receivables of approximately RMB23 million during the year ended 31 December 2021 from the outstanding receivables from the Group's downstream customers which have been experiencing extreme difficulties in their business operations since COVID-19.

As at 31 December 2021, the Group's total current liabilities amounted to approximately RMB130 million, as compared to approximately RMB106 million as at 31 December 2020. The increase was mainly due to the cash advances made by the substantial shareholder and a director to support the proposed restructuring of the Company and the extra loan made to the Group by a third party.

Non-current assets

The Group used to operate two plants for the production of plywood products and biomass wood pellets respectively in Heze City, Shandong Province, China. As a result of the cessation of the biomass wood pellets business in July 2020, the Group has since leased out the biomass wood pellets plant as well as other plants and land which are surplus to current and future needs to certain operators under long term lease to generate recurring rental income.

Investment properties of approximately RMB45.1 million as at 31 December 2021 (2020: RMB45.8 million) represented land use rights and plants transferred from property, plant and equipment. Investment properties are stated at costs less accumulated depreciation and accumulated impairment as determined with reference to independent valuer's valuation as at 31 December 2021.

As at 31 December 2021, the Group's right-of-use assets and property, plant and equipment are valued at approximately RMB7 million and RMB37 million respectively (2020: RMB11 million and RMB55 million respectively). The decreases are results of segment loss and impairment loss on segment assets.

Capital Structure

Borrowings

As at 31 December 2021, the Group's borrowings amounted to approximately RMB63 million (2020: RMB58 million) in total, including approximately RMB28 million bonds payables in Hong Kong (the "**Bonds**") and approximately RMB25 million bank borrowings and approximately RMB9.5 million other loan in the PRC.

As at 31 December 2021, the Group had bank borrowings denominated in RMB of approximately RMB25 million from banks located in China, decreasing from RMB29 million as at 31 December 2020. The Group's bank borrowings are secured by land use rights and plants and investment properties of the Group, and certain guarantees provided to the banks by certain former and present directors and individuals as at 31 December 2021.

On 1 June, 2021, a wholly-owned subsidiary of the Company entered into a term loan facility agreement with the a third party under which the lender agreed to make available a term loan facility up to an aggregate amount of RMB9.5 million as at 31 December 2021. (For more details of this loan, please refer to the section "**Security on Assets**" below).

On 28 June, 2021, the Company was being notified by Meisen (Shandong) Wood Limited ("**Meisen (SD)**") and Dasen (Heze) Biomass Energy Limited, indirectly wholly-owned subsidiaries of the Company incorporated in the People's Republic of China (the "**PRC**"), that they were respectively named as defendants (the "**Defending Subsidiaries**") of the civil lawsuits filed by China Construction Bank Chengwu Branch, the PRC (the "**Plaintiff**") at the Court of Chengwu County of Shandong Province, the PRC (the "**Lawsuits**"), relating to the recovery of outstanding loan amount due to the Plaintiff by Meisen (SD). The orders sought by the Plaintiff against the Defending Subsidiaries are as follows: (1) a liquidated sum of RMB7,450,896.75 as the aggregate unpaid principal amount; (2) interest, penalty and compound interest on the sum in (1) above (the interest amount up to 4 June 2021 claimed by the Plaintiff is RMB23,988.24); (3) costs of the action of claim by the Plaintiff; and (4) further and/or other relief.

On 30 August 2021, the Company released an announcement relating to the hearing of the Lawsuits held on 18 August 2021 indicating that the court subsequently decided to rule in favour of the Plaintiff. The Company has since been in close contact with the Plaintiff to settle the outstanding debts in phases, including the payments of penalty interests. As at 31 December 2021, the Plaintiff did not take further actions on this matter.

Proposed debt restructuring

References are made to the announcements of the Company dated 30 November 2020, 18 May 2021, 1 September 2021, 28 October 2021, 9 December 2021, 11 January 2022 and 14 February 2022 (the "**Announcements**") in relation to the proposed debt restructuring. Unless otherwise stated, the terms used in this section have the same meanings as those defined in the Announcements.

As part of the Proposed Restructuring, the Group intends to restructure its debts by way of implementing the Scheme. The Scheme will be implemented in accordance with the terms as approved by the High Court and the Scheme Creditors to compromise all the Company's liabilities relating to the Bonds.

Scheme of Arrangement

On 9 December 2021, the Scheme was approved by the requisite majorities of the Scheme Creditors at the Scheme Meeting and was subsequently sanctioned without modification by the High Court at the sanction hearing held on 11 January 2022. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all Scheme Creditors are Independent Third Parties.

Upon the Scheme becoming effective, the Scheme Administrators will take steps to adjudicate the Scheme Claims and to distribute the Scheme Consideration to the Scheme Creditors on a pro rata basis based on the amounts of their admitted claims under the Scheme and discharge the debts of the Company including and not limiting to the claims from bond holders as disclosed in announcements of the Company published on 19 January 2021 and 20 July 2021.

Subject to the determination and adjudication by the Scheme Administrators under the Scheme, the Scheme Creditors shall receive the Scheme Consideration comprising the following:

(i) Cash Consideration in the aggregate amount of HK$15.2 million which shall be funded by the net proceeds from the Amended Open Offer to be distributed amongst the Scheme Creditors on the basis of the relative proportion of their respective admitted claims as compared to the total admitted claims under the Scheme;

(ii) Scheme Shares comprising 49,194,476 new Shares to be distributed amongst the Scheme Creditors on the basis of the relative proportion of their respective admitted claims as compared to the total admitted claims under the Scheme.

As part of the Scheme to solicit support and entice the Scheme Creditors, the Company will also issue and allot Consent Fee Shares of up to 16,398,159 new Shares under the General Mandate to those Scheme Creditors, who entered into the restructuring support agreement in relation to the Scheme on or before 27 October 2021 and undertook to vote for the Scheme, on a pro rata basis based on their claims as admitted by the Scheme Administrators

Open Offer

On 8 January 2021, the Company proposed to raise approximately HK$29.2 million (before expenses) by way of an Open Offer on the basis of one (1) Offer Share for every two (2) existing Shares in order to fund the implementation of the Scheme.

On 1 September 2021, having considered (i) the estimated funding requirements for the implementation of the Proposed Restructuring; (ii) the prevailing market prices of the Shares; (iii) the attractiveness of the Open Offer to the Shareholders; (iv) compliance of public float requirement under the Listing Rules upon completion of the Open Offer; (v) the Group's financial position; (vi) the prevailing financial market conditions and economic outlook; and (vii) the reasons and benefits of the Open Offer, the Board has examined various subscription ratios and resolved to adjust the terms of the Open Offer which will now be implemented on the basis of three (3) Offer Shares for every five (5) Shares held on the Record Date by the Qualifying Shareholders at the Offer Price of HK$0.04 per Offer Share ("**Amended Open Offer**").

Issue Statistics

Basis of the Amended Open Offer:	Three (3) Offer Shares for every five (5) existing Shares held on the Record Date

Number of Shares in issue as at the date of this announcement: 974,400,000 Shares

Offer Price:	HK$0.04 per Offer Share
Number of Offer Shares:	584,640,000 Offer Shares
Funds to be raised before expenses:	HK$23.4 million

Total number of Shares upon completion of the Amended Open Offer: 1,559,040,000 Shares

Assuming there is no change to the issued share capital of the Company, 584,640,000 Offer Shares represent (a) 60.0% of the Company's issued share capital as at the date of this announcement; and (b) 37.5% of the Company's issued share capital as enlarged by the issuance of the Offer Shares. As at the date of this announcement, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

The Amended Open Offer will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Offer Shares and the level of subscription of the excess Offer Shares. The Qualifying Shareholders are entitled to apply for any Offer Shares in excess of their own assured allotments. In the event that the Amended Open Offer is not fully subscribed, any Offer Shares not taken up by the Qualifying Shareholders will not be issued by the Company and the size of the Amended Open Offer will be reduced accordingly.

The gross proceeds of the Amended Open Offer (before expenses) are approximately HK$23.4 million and net proceeds of the Amended Open Offer (after expenses) are estimated to be approximately HK$23.2 million. It is expected that the proceeds from the Amended Open Offer in the sum of approximately HK$20.0 million will be the Cash Consideration to pay for the implementation of the Scheme and its associated costs, and the balance of approximately HK$3.2 million shall be retained as the general working capital of the Company after the completion of the Amended Open Offer.

For further details, please refer to the circular to be despatched by the Company, which is expected to be despatched on or before May 2022.

Income tax

The Group's income tax for the year ended 31 December 2021 was approximately RMB41,000, as per tax assessment from local government in prior years.

Security on assets

As at 31 December 2021, certain assets of the Group with an aggregated carrying value of approximately RMB88 million were pledged to the bank as security for the loan facility (2020: RMB56 million).

Reference is made to the announcements of the Company dated 25 November 2021, 10 December 2021 and 4 January 2022 in relation to the discovery of the unrecorded pledge of assets (the "**Announcements**"). Capitalised terms used in this section shall have the same meaning as those defined in the Announcements unless otherwise specified.

As disclosed in the Announcements, it has come to the attention of the Board that certain the Pledged Assets of the Group (i.e. a property with an aggregate floor area of approximately 22,827 square meters and land use right of the Group for certain land parcels with an aggregate floor area of approximately 46,077 square meters held by Meisen (Shandong), with a book value of approximately RMB28.18 million and a fair value of approximately RMB17.35 million as at 31 October 2021) have been pledged to a branch of Rural Commercial Bank of Shandong Chengwu (i.e. "**Lender**") in relation to a Loan Facility provided to 菏澤中眾合市場開發有限公司 (an Independent Third Party established in the PRC, the "**Borrower**") by the Lender, without the knowledge and prior approval of the Board. Based on the preliminary findings of the Audit Committee, it transpired that the pledge of the Pledged Assets was an attempt by the management of a subsidiary of the Group to obtain financing indirectly from the Lender through the Borrower in order to renew a defaulted bank loan of the same financial institution (i.e. the Lender). Based on the current information available to the Board, the Borrower has drawn down a total amount of RMB9,500,000 under the Loan Facility for its own use. The entire sum of which had been subsequently provided to another subsidiary of the Company by way of loan between June 2021 and September 2021 before the terms of the renewal of the Meisen (Shandong) defaulted loan was agreed with the Lender.

After due and careful review on the findings of the Audit Committee on the Pledged Assets, the Board is of the view that the pledge of Pledged Assets to obtain the Loan Facility is not appropriate and resolved to terminate the Pledge Arrangement Agreement and the Group is currently in negotiation with the Lender in this respect.

The Group's Audit Committee as well as independent external internal control consultant have also concluded that this is an one-off event in the violation of the Groups' internal control procedures and no other violations are found.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2021 (2020: Nil).

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no capital commitments contracted but not provided for (2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2021, save as disclosed elsewhere in this announcement, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEES AND REMUNERATION POLICIES

The Group has 120 employees in Hong Kong and Mainland China as at 31 December 2021. The total salaries and related costs granted to employees, including directors' emoluments amounted to approximately RMB8.7 million for the year ended 31 December 2021.

The Group's remuneration policy and share option scheme determine benefits of employees (including Directors) based on the duties and performance of each individual. The Group has also participated in the mandatory provident fund retirement benefit scheme in Hong Kong, and the central pension scheme operated by the local municipal government in Mainland China.

DIVIDENDS AND DISTRIBUTION

The Board did not recommend the payment of a final dividend to shareholders for the year ended 31 December 2021 (2020: Nil).

The Board did not declare an interim dividend to shareholders for the year ended 31 December 2021 (2020: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in-compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control and risk management principles of the Group and to assist the Board to fulfill its responsibilities over audit. The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial reporting matters. The annual results of the Group for the year ended 31 December 2021 have also been reviewed by the Audit Committee.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Kwok Yiu Tong, Ms. Lo Yuk Yee and Mr. Tso Siu Lun and one non-executive Director, namely Mr. Sun Yongtao.

Mr. Kwok Yiu Tong serves as the chairman of the Audit Committee. The annual results of the Company for the year ended 31 December 2021 has been reviewed by the Audit Committee.

SCOPE OF WORK OF AUDITOR

The financial information presented in this announcement has been agreed by Confucius International CPA Limited, the Company's independent auditors, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2021, which has been audited by Confucius International CPA Limited. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius International CPA Limited on this announcement.

THE AUDIT MODIFICATION

Confucius International CPA Limited issued a disclaimer of opinion with multiple uncertainties relating to going concern on the consolidated financial statements of the Group for the year ended 31 December 2021. An extract of the independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT" on page 19 of the Results Announcement.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, covering a period of not less than twelve months from the date of this announcement, and are of the view that, taking into account the below mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from the date of this announcement. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Directors have undertaken substantial work to improve the Group's liquidity and financial position, refinance its operations and restructure its debts for the year ended 31 December 2021.

The Creditors Scheme

As part of the Proposed Restructuring, the Group intends to restructure its debts by way of implementing the Scheme. The Scheme will be implemented in accordance with the terms as approved by the High Court and the Scheme Creditors to compromise all the Company's liabilities relating to the Bonds.

On 9 December 2021, the Scheme was approved by the requisite majorities of the Scheme Creditors at the Scheme Meeting and was subsequently sanctioned without modification by the High Court at the sanction hearing held on 11 January 2022.

The Open Offer

On 1 September 2021, the Board resolved to modify the Open Offer, subject to regulatory approval, and the total proceeds raised from the Amended Open Offer will be approximately HK$23.4 million. Among the total net proceeds of HK$23.2 million, approximately HK$20 million will be used for settlement of the payment obligations under the Creditors Scheme, approximately HK$3.2 million will be used for working capital of the Group. The Directors expect that the Amended Open Offer will be completed by July 2022.

Potential Disposal of Certain Assets of the Group

Since March 2021, the Company conducted in depth discussions with a number of potential independent buyers on possible disposal of certain assets of the Group to repay the Group's bank borrowings in its PRC subsidiaries.

Financial Support from Major Shareholders

The Company has received financial support from major shareholders in terms of cash advances made to support the Proposed Restructuring. The Company will continue to discuss with the major shareholders for other forms of financial support such as providing guarantees for new bank borrowings obtained in Hong Kong to replace the defaulted loans in China after the completion of the Proposed Restructuring.

New Business Initiatives

One of the uncertainties that may affect the going concern basis used in the consolidated financial statements of the Group for the year ended 31 December 2021 is the outcome of, among other things, whether the Group can implement new measures to improve sales such as rolling out new business initiatives with products of higher profit margin, control costs, contain capital expenditures, and accelerate the collection of trade and other receivables and the disposal of inventories so as to enhance the Group's working capital position. The Group has already made some progress in these areas in 2021 as reflected in the financial performance in 2021 and the Group will continue to accelerate the improvements in 2022.

As at the date of this announcement, the Company is also in final stage of discussion with a potential business partner to export its products to the Asian markets including Japan.

Taking into consideration the action plan (as set out in the sections above) suggested by the Directors, the management of the Company (the "**Management**") and the audit committee of the Company are of the view that, barring unforeseen circumstances, the Audit Modification relating to going concern can be removed and will be removed in the next financial year (i.e. the year ending 31 December 2022) upon successful implementation of the Proposed Debt Restructuring, including both the Amended Open Offer and the Creditors Scheme, and repayment of debts in the PRC through disposal of assets and new bank borrowings.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company ("**AGM**") will be held on Thursday, 16 June 2022. For details of the AGM, please refer to the Notice of AGM which is expected to be published in April 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

From Monday, 13 June 2022 to Thursday, 16 June 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10 June 2022.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk.

The annual report of the Company for the Year will be despatched to the shareholders of the Company and published on the above websites in April 2022.

By order of the Board
Da Sen Holdings Group Limited
Sun Yongtao
Non-Executive Chairman and Non-Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. CHAI Kaw Sing, Mr. WONG Ben and Mr. ZHANG Ayang (duties suspended); the non-executive Director is Mr. SUN Yongtao; and the independent non-executive Directors are Ms. LO Yuk Yee, Mr. TSO Siu Lun Alan and Mr. KWOK Yiu Tong Henry.