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 FIFTEEN MONTHS ENDED 31 MARCH 2023

The board (the "**Board**") of directors (the "**Directors**") of Da Sen Holdings Group Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the fifteen months ended 31 March 2023 together with comparative figures for the year ended 31 December 2021. As the audited consolidated financial statements cover the fifteen months ended 31 March 2023 and the comparative financial statements cover the twelve months ended 31 December 2021, the comparative figures are therefore not entirely comparable.

SUMMARY

- Consolidated revenue decreased by 65.6 per cent to approximately RMB59.5 million
- Consolidated loss before tax decreased by 56.5 per cent to approximately RMB51.8 million
- Loss attributable to owners of the Company amounted to approximately RMB50.8 million
- Basic loss per share: RMB3.47 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 91.2% of the total revenue for the fifteen months ended 31 March 2023.

The Group maintains a sizable customer base for the plywood products and there were more than twenty customers of plywood products for the fifteen months ended 31 March 2023, out of which the ten largest customers contributed for approximately 82.0% 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 8.8% of the total revenue for the fifteen months ended 31 March 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the fifteen months ended 31 March 2023

	Notes	**Fifteen months ended 31 March 2023** *RMB'000*	Year ended 31 December 2021 *RMB'000*
Revenue	*4*	**59,487**	172,748
Cost of sales		**(64,609)**	(229,799)
Gross loss		**(5,122)**	(57,051)
Selling and distribution expenses		**(424)**	(1,140)
Administrative expenses		**(22,482)**	(16,883)
Allowance for expected credit losses, net		**(19,934)**	(22,629)
Other income, gains or (losses)	*5*	**3,244**	(17,662)
Finance costs	*6*	**(7,052)**	(3,745)
Loss before tax		**(51,770)**	(119,110)
Income tax expense	*7*	**–**	(41)
Loss and total comprehensive expenses for the period/year	*8*	**(51,770)**	(119,151)
Loss and total comprehensive expenses attributable to:			
Owners of the Company		**(50,799)**	(119,151)
Non-controlling interests		**(971)**	–
		(51,770)	(119,151)
			(restated)
Loss per share attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	*10*	**(3.47)**	(9.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	31 March 2023 RMB'000	31 December 2021 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		**2,753**	7,352
Property, plant and equipment	*11*	**5,417**	37,425
Investment properties	*12*	**66,901**	45,160
Financial assets at fair value through profit or loss		**1,557**	–
		76,628	89,937
Current assets			
Inventories		**1,932**	5,116
Trade and other receivables	*13*	**62,579**	82,373
Cash and cash equivalents		**6,939**	3,259
		71,450	90,748
Total assets		**148,078**	180,685
EQUITY			
Share capital	*14*	**14,165**	8,592
Share premium	*14*	**233,241**	212,502
Other reserves		**52,942**	52,942
Convertible bonds equity reserves		**1,408**	–
Accumulated losses		**(274,715)**	(223,916)
Equity attributable to owners of the Company		**27,041**	50,120
Non-controlling interests		**(971)**	–
Total Equity		**26,070**	50,120

	Notes	**31 March 2023** *RMB'000*	31 December 2021 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income		**235**	267
Convertible bonds payable	*15*	**6,972**	–
		7,207	267
Current liabilities			
Trade and other payables	*16*	**58,849**	53,983
Deferred income		**25**	25
Receipt in advance		**3,311**	240
Tax payables		**7,085**	7,168
Amount due to related parties		**7,795**	6,235
Borrowings		**37,736**	62,647
		114,801	130,298
Total liabilities		**122,008**	130,565
Total equity and liabilities		**148,078**	180,685

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 addresses of its registered office and principal place of business are 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 manufacturing and sales of plywood and leasing activities.

Pursuant to a resolution of the board of directors dated 11 November 2022, the Group changed its financial year end date from 31 December to 31 March (the "**Change**"). This will enable the Group to rationalise and mobilise its resources with greater efficiency for the preparation of its interim and annual results announcements and reports given that the Change will allow the Group to:

(i) avoid competition of resources with other listed companies having a financial year end date of 31 December on results announcements and interim and annual reports related external services under the traditional peak market reporting season; and

(ii) better plan its audit schedules with its auditors by removing the uncertainty from the variation in the dates of the Chinese New Year and Easter holidays which put pressure on the workflow.

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 ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance ("**HKCO**").

2 BASIS OF PREPARATION – continued

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

The accompanying consolidated financial statements for the current financial period cover a period of fifteen months from 1 January 2022 to 31 March 2023. The comparative figures presented for the audited consolidated statement of profit or loss and other comprehensive income, audited consolidated statement of changes in equity, audited consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 January 2021 to 31 December 2021 which may not be comparable with the amounts shown for the current period.

(b) Going concern basis

For the fifteen months ended 31 March 2023, the Group incurred a net loss of RMB51,770,000 and recorded a net operating cash outflow of RMB13,194,000. As at 31 March 2023, the Group recorded net current liabilities of RMB43,351,000, where the Group's current borrowings amounted to RMB37,736,000, comprising bank borrowing of RMB8,500,000 and other loans of RMB29,236,000 from independent third parties in the People's Republic of China (the "**PRC**") and Hong Kong, while the Group's cash and cash equivalents amounted to RMB6,939,000 only.

In respect of other loans 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 (the "**Court**") 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. During the fifteen months ended 31 March 2023, the bank sold the defaulted loans to an asset management company. Such bank borrowings were therefore reclassified as other loans in the consolidated statement of financial position during the period. On 11 April 2023, the Group received notices from the Court which stated that the asset management company had applied to the Court for the enforcement of the pledge under the loans. Apart from the aforesaid loans, the Group defaulted to repay the borrowing from an independent third party in the PRC, totaling RMB8,500,000, which was due for repayment in June 2022.

In respect of other loans in Hong Kong, the Group defaulted to repay two borrowings from an independent third party in Hong Kong, totaling HK$650,000 (approximately RMB569,000), which was due for repayment in May and June 2022.

In respect of the bank borrowing of RMB8,500,000 in the PRC, the default in repayment of the aforesaid other loans entitled the bank lender a right to demand immediate repayment of the bank borrowing from the Group.

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

2 BASIS OF PREPARATION – continued

(b) Going concern basis – continued

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 of the Group. These include the followings:

(i) the Group intended to settle the other loans in the PRC by way of disposal of the pledged assets;

(ii) the Group has been in discussion with its lenders for the extension of repayment periods;

(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 fund; 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 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.

2 BASIS OF PREPARATION – continued

(b) Going concern basis – continued

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group 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 disposal of pledged assets of the Group;

(ii) successfully extending the repayment periods of the Group's loans;

(iii) successfully and timely raising additional fund through financings from major shareholders and directors of the Company and the potential disposal of certain assets of the Group; and

(iv) successfully implementing the measures to improve sales, control costs and contain capital expenditures as well as to accelerate the collection of trade and other receivables so as to enhance the Group's working capital position.

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 respectively. 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 financial period

In the current financial period, the Group has applied the following amendments to IFRSs issued by IASB for the first time, which are mandatorily effective for annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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

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

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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Polices[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Group anticipate 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

	Fifteen months ended 31 March 2023	Year ended 31 December 2021
	RMB'000	*RMB'000*
Revenue from contract with customers		
Revenue from sales of plywood	**54,239**	170,548
Revenue from leasing		
Rental income	**5,248**	2,200
	59,487	172,748

4. REVENUE – continued

All of the Group's revenue from contracts with customers are derived from the transfer of goods and are recognised 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)

	Fifteen months ended 31 March 2023	Year ended 31 December 2021
	RMB'000	*RMB'000*
Interest income	**24**	5
Net exchange gains	**–**	2
Sales of plywood core	**–**	1,647
Amortisation of deferred income related to government grants	**32**	25
Write-off of other receivables	**–**	(105)
Gain on disposal of property, plant and equipment	**133**	163
Other losses	**(702)**	(476)
Gain on debt-restructuring	**14,755**	–
Impairment loss on inventories, net of reversal	**(140)**	–
Impairment loss on investment properties	**(10,858)**	(933)
Impairment loss on property, plant and equipment	**–**	(15,019)
Impairment loss on right-of-use assets	**–**	(2,971)
	3,244	(17,662)

6 FINANCE COSTS

	Fifteen months ended 31 March 2023	Year ended 31 December 2021
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**989**	2,764
Interest expense on bonds payables	**1,126**	749
Interest expense on other loan	**4,925**	232
Effective interest charged on convertible bonds payable	**12**	–
	7,052	3,745

7 INCOME TAX EXPENSE

	Fifteen months ended 31 March 2023	Year ended 31 December 2021
	RMB'000	*RMB'000*
Income tax expense		
– Current tax	**–**	–
– Under-provision of PRC Enterprise Income Tax	**–**	41
– Deferred income tax	**–**	–

(i) Hong Kong profits tax

No Hong Kong profits tax has been provided, as the Group has no taxable profit derived in Hong Kong. The applicable Hong Kong profit tax rate is 16.5% for the fifteen months ended 31 March 2023 (year ended 31 December 2021: 16.5%).

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the fifteen months ended 31 March 2023 (year ended 31 December 2021: 25%).

7 INCOME TAX EXPENSE – continued

(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 March 2023 in the foreseeable future.

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

	Fifteen months ended 31 March 2023	Year ended 31 December 2021
	RMB'000	*RMB'000*
Loss before tax	**(51,770)**	(119,110)
Tax calculated at PRC EIT 25% (2021: 25%)	**(12,942)**	(29,778)
Under-provision of tax in previous years	**–**	41
Tax effects of:		
– Expenses not deductible for tax purpose	**7,859**	9,190
– Income not taxable for tax purpose	**(73)**	–
– Unrecognised temporary differences	**539**	1,210
– Different tax rates of subsidiaries operating in other jurisdiction	**122**	724
– Tax losses not recognised	**4,495**	18,654
Income tax expense	**–**	41

7 INCOME TAX EXPENSE – continued

Notes:

(i) As at 31 March 2023, the Group's entities in the PRC had estimated tax losses of RMB241,796,000 (31 December 2021: RMB223,899,000). The expiration dates of those tax losses for which no deferred tax assets have been recognised are as follows:

	31 March 2023 *RMB'000*	31 December 2021 *RMB'000*
Year of expiration		
2024	**30,711**	30,711
2025	**118,573**	118,573
2026	**74,534**	74,615
2027	**16,312**	–
2028	**1,666**	–
Total	**241,796**	223,899

(ii) The remaining tax losses were incurred by the Company and subsidiaries in Hong Kong that are not likely to generate taxable income in the foreseeable future, which can be carried forward perpetually. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profits streams.

8 LOSS FOR THE PERIOD/YEAR

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

	Fifteen months ended 31 March 2023 *RMB'000*	Year ended 31 December 2021 *RMB'000*
Staff costs, including directors' emoluments	**5,689**	8,460
Retirement benefits scheme contributions, including contributions for directors	**111**	204
	5,800	8,664
External auditor's remuneration		
- audit services	**1,250**	880
- other services	**830**	–
Cost of inventories recognised as expense	**56,950**	217,312
Depreciation on property, plant and equipment	**501**	2,406
Impairment loss on property, plant and equipment	**–**	15,019
Depreciation on investment properties	**3,375**	1,541
Impairment loss on investment properties	**10,858**	933
Depreciation on right-of-use assets	**85**	256
Impairment loss on right-of-use assets	**–**	2,971
Impairment loss on inventories, net of reversal	**140**	–
Write-off of other receivables	**–**	105

	Fifteen months ended 31 March 2023 *RMB'000*	Year ended 31 December 2021 *RMB'000*
Gross rental income from investment properties	**(5,248)**	(2,200)
Less: Direct operating expenses from investment properties that generated rental income during the period/year	**345**	14
	(4,903)	(2,186)

9 DIVIDEND

The directors do not recommend the payment of a dividend for the fifteen months ended 31 March 2023 and year ended 31 December 2021.

10 LOSS PER SHARE

(a) Basic

Basic loss per share for the fifteen months ended 31 March 2023 and year ended 31 December 2021 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares for the respective period/year.

	Fifteen months ended 31 March 2023	Year ended 31 December 2021
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(50,799)**	(119,151)
		(restated)
Weighted average number of ordinary shares (thousands)	**1,465,640**	1,299,200
Basic loss per share (RMB cents per share)	**(3.47)**	(9.17)

(b) Diluted

For the fifteen months ended 31 March 2023, the computation of diluted loss per share has not taken into account the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share, and is therefore regarded as anti-dilutive.

For the year ended 31 December 2021, the diluted loss per share are equal to basic loss per share, as there were no potential ordinary shares in issue for the year.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for year ended 31 December 2021 has been adjusted retrospectively to reflect the impact of the open offer completed on 25 July 2022.

11 PROPERTY, PLANT AND EQUIPMENT

During the fifteen months ended 31 March 2023, the Group disposed of machinery and vehicles with carrying value of RMB46,000 and RMB1,000, respectively.

12 INVESTMENT PROPERTIES

During the fifteen months ended 31 March 2023, the Group changed the usage of certain right-of-use assets and plants. Right-of-use assets with carrying value of RMB4,514,000 and plants with carrying value of RMB31,460,000 have been transferred to investment properties.

13 TRADE AND OTHER RECEIVABLES

	31 March 2023 *RMB'000*	31 December 2021 *RMB'000*
Trade receivables		
– contract with customers	**172,726**	176,232
– under IFRS 16 Leases	**38**	–
	172,764	176,232
Less: accumulated allowance for expected credit losses	**(124,516)**	(104,582)
	48,248	71,650
Prepayments for raw materials	**13,418**	10,723
Other receivables	**913**	11,505
Less: accumulated allowance for expected credit losses	**–**	(11,505)
	62,579	82,373

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

	31 March 2023 *RMB'000*	31 December 2021 *RMB'000*
Up to 3 months	**–**	34,798
4 to 6 months	**6,153**	20,068
7 to 12 months	**19,587**	13,766
Over 1 year	**22,508**	3,018
	48,248	71,650

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.

13 TRADE AND OTHER RECEIVABLES – continued

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

	31 March 2023 *RMB'000*	31 December 2021 *RMB'000*
Up to 3 months	**6,153**	20,068
4 to 6 months	**10,378**	13,766
7 to 12 months	**15,904**	–
Over 1 year	**15,813**	3,018
	48,248	36,852

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares *'000*	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
At 1 January 2021, 31 December 2021 and 1 January 2022	974,400	8,592	212,502	221,094
Issue of shares under open offer *(note i)*	584,640	5,028	15,083	20,111
Issue of shares under scheme arrangement *(note ii)*	59,215	545	5,888	6,433
Transaction cost attributable to issue of shares *(note iii)*	n/a	–	(232)	(232)
At 31 March 2023	1,618,255	14,165	233,241	247,406

The total number of authorised share capital of the Company comprised 3,000,000,000 ordinary shares with a par value of HK$0.01 each as at 31 March 2023 and 31 December 2021.

Notes:

(i) On 25 July 2022, the Company completed an open offer on the basis of three new shares of the Company for every five existing shares of the Company held on 15 July 2022 at a subscription price of HK$0.04 per share and issued 584,640,000 new shares.

(ii) On 11 November 2022, the Company issued 59,215,000 ordinary shares under general mandate. The shares were issued to settle the bonds payable during the fifteen months ended 31 March 2023.

(iii) The transaction costs in relation to issue of shares of HK$270,000 (approximately RMB232,000) were debited to equity under share premium account during the fifteen months ended 31 March 2023.

15 CONVERTIBLE BONDS PAYABLE

The Company issued 10% convertible bonds at a par value of HK$7,800,000 in total on 24 March 2023 and will be matured on 23 March 2025. The convertible bonds are denominated in Hong Kong dollars. The bonds entitle the holders to convert them into ordinary shares of the Company on maturity date. The conversion price is HK$0.15 per convertible bond. The Company may at any time before maturity date to redeem all or part of the convertible bonds, and the early redemption right has been recognised as financial assets at fair value through profit or loss. If the convertible bonds have not been converted, they will be redeemed on 24 March 2025 at par. Interest of 10% per annum will be paid semi-annually until the settlement date.

At initial recognition, the equity component of the convertible bonds was separated from the liability component and derivative component. The equity element is presented in equity heading "convertible bonds equity reserve". The effective interest rate of the liability component is 9.06%.

16 TRADE AND OTHER PAYABLES

	31 March 2023	31 December 2021
	RMB'000	*RMB'000*
Trade payables	**6**	335
Other taxes payable	**29,890**	24,850
Accrued expenses	**18,058**	16,810
Interest payable	**5,898**	5,575
Advance from customers	**–**	2,068
Others	**4,997**	4,345
	58,849	53,983

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

	31 March 2023	31 December 2021
	RMB'000	*RMB'000*
Within 3 months	**6**	335

17 EVENTS AFTER THE REPORTING PERIOD

Debt capitalisation on other loan

On 20 January 2023, the Group signed a deed of settlement with a creditor of other loan which the loan principal and related interests payable amounted to RMB3,822,000. The creditor agreed the Group to settle the other loan with issue of 73,104,116 ordinary shares of the Company at HK$0.06 each. On 21 April 2023, the issue of shares are completed and delivered to the creditor.

Enforcement of pledge

On 11 April 2023, the Group received notices from the Court which stated that, the asset management company had applied to the Court for the enforcement of the pledge under the loan. As at 31 March 2023, the carrying value of these pledged assets was amounting to RMB31,283,000.

18 COMPARATIVE FIGURES

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

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 fifteen months ended 31 March 2023, the Group incurred a net loss of RMB51,770,000 and recorded a net operating cash outflow of RMB13,194,000. As at 31 March 2023, the Group recorded a net current liabilities of RMB43,351,000, where the Group's current borrowings amounted to RMB37,736,000, comprising bank borrowing of RMB8,500,000 and other loans of RMB29,236,000 from independent third parties in the People's Republic of China (the "**PRC**") and Hong Kong, while the Group's cash and cash equivalents amounted to RMB6,939,000 only. As at 31 March 2023, related interests of RMB5,356,000 and eleven other loans in the PRC and Hong Kong amounting to RMB27,888,000 in total were defaulted in repayment. The default in repayment of other loans entitled the bank lender a right to demand immediate repayment of the bank borrowing from the Group. 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 respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Up to the date of this report, no information or agreement is obtained about the approval from the bank and other loan lenders as to whether they will not exercise their right to demand immediate repayment of the balance or to extend the repayment. Accordingly, we were unable to obtain sufficient audit evidence about the appropriateness of the preparation of the consolidated financial statements on a going concern basis due to the combined effects of the multiple uncertainties described above.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately RMB59.5 million for the fifteen months ended 31 March 2023, representing a decrease of 65.6% from approximately RMB172.7 million for the year ended 31 December 2021. Due to the uncertain and volatile socioeconomic environment, the demand of our customers had been low during the fifteen months ended 31 March 2023. Given the low demand and the competition in the plywood industry, the Group focused on clients with better margin which resulted in the low revenue.

The consolidated gross loss of the Group for the fifteen months ended 31 March 2023 was approximately RMB5.1 million, representing a significant decrease of 91.0% from approximately RMB57.1 million for the year ended 31 December 2021. For the fifteen months ended 31 March 2023, the gross loss margin was 8.6% compared to 33.0% for the year ended 31 December 2021. The decrease in gross loss margin was mainly because the Group focused on clients with better margin and implemented cost control measures. Excluding the value-added tax, the gross loss for the fifteen months ended 31 March 2023 would be further reduced.

The total selling and administrative expenses were approximately RMB22.9 million for the fifteen months ended 31 March 2023, representing an increase of 27.1% from approximately RMB18.0 million for the year ended 31 December 2021, mainly due to the costs related to the debt-restructuring implemented during the period.

The consolidated loss before tax for the fifteen months ended 31 March 2023 decreased to approximately RMB51.8 million compared to approximately RMB119.1 million for the year ended 31 December 2021. Such significant decrease in loss was mainly due to improvements made in gross loss margin, the cost control measures implemented and the gain on debt-restructuring.

The Group recorded increase in finance costs of approximately RMB7.1 million for the fifteen months ended 31 March 2023 compared to approximately RMB3.7 million for the year ended 31 December 2021. The increase was mainly due to the interest expense on the new loans obtained during the fifteen months ended 31 March 2023, partially offset by the decrease in interest expenses on bank borrowings.

The consolidated net loss after taxation was approximately RMB51.8 million for the fifteen months ended 31 March 2023 compared to approximately RMB119.2 million for the year ended 31 December 2021. Basic loss per share during the period/year under review was RMB3.47 cents compared to basic loss per share of RMB9.17 cents (restated) for the year ended 31 December 2021.

Gearing Ratio

During the fifteen months ended 31 March 2023, 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 171.5% (31 December 2021: approximately 125.0%). During the fifteen months ended 31 March 2023, the Group's total interest-bearing debts amounted to approximately RMB44.7 million, which comprised of bank borrowings of approximately RMB8.5 million, other loan of approximately RMB29.2 million and convertible bonds payable of approximately RMB7.0 million. The increase of gearing ratio was primarily attributable to the decrease in equity.

Current assets and liabilities

As at 31 March 2023, the Group held current assets of approximately RMB71.5 million (31 December 2021: RMB90.7 million), mainly comprising trade and other receivables, inventories and cash and cash equivalents.

Cash and cash equivalents balance as at 31 March 2023 increased to approximately RMB6.9 million as compared to approximately RMB3.3 million as at 31 December 2021. The increase in cash and cash equivalents balance was mainly due to the fund raising activities carried out by the Group during the period.

The Group's inventory balances as at 31 March 2023 comprised of work-in-progress and finished goods for plywood products. The decrease in the inventory balance from approximately RMB5.1 million as at 31 December 2021 to approximately RMB1.9 million as at 31 March 2023 was mainly due to (i) less left over raw materials as a results of costs saving measures; and (ii) less work in progress and finished goods of plywood products as at 31 March 2023 due to less purchase orders received by the end of March 2023.

Trade and other receivables balance as at 31 March 2023 mainly represented outstanding receivables balance from customers of our plywood products. There was a decrease in trade and other receivables balance of approximately RMB19.8 million, from approximately RMB82.4 million as at 31 December 2021 to approximately RMB62.6 million as at 31 March 2023. The decrease in trade receivables balance was mainly due to increase in accumulated allowance for expected credit losses of trade receivables from approximately RMB104.6 million as at 31 December 2021 to approximately RMB124.5 million as at 31 March 2023. The increases was due to the increase in outstanding receivables from the Group's downstream customers which have been experiencing extreme difficulties in their business operations since COVID-19.

As at 31 March 2023, the Group's total current liabilities amounted to approximately RMB114.8 million, as compared to approximately RMB130.3 million as at 31 December 2021. The decrease was mainly due to the reduction in borrowings as the Group implemented the debt-restructuring during the period.

Non-current assets

The Group used to operate two plants for the production of plywood products 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 RMB66.9 million as at 31 March 2023 (31 December 2021: RMB45.2 million) represented land use rights and plants transferred from property, plant and equipment and right-of-use assets. Investment properties are stated at costs less accumulated depreciation and accumulated impairment as determined with reference to independent valuer's valuation as at 31 March 2023.

As at 31 March 2023, the Group's right-of-use assets and property, plant and equipment are valued at approximately RMB2.8 million and RMB5.4 million respectively (31 December 2021: RMB7.4 million and RMB37.4 million respectively). The decreases are results of the transfer of the property, plant and equipment and right-of-use assets to investment properties.

Capital Structure

Borrowings

As at 31 March 2023, the Group's borrowings amounted to approximately RMB37.7 million (31 December 2021: RMB62.6 million) in total, including short term bank borrowings of approximately RMB8.5 million, other loan in Hong Kong of approximately RMB3.6 million, other loan in the PRC of approximately RMB9.5 million and the default bank borrowings which had been transferred to an asset management company in the PRC of approximately RMB16.1 million.

As at 31 March 2023, the Group had bank borrowings denominated in RMB of 8.5 million from banks located in China, decreasing from approximately RMB25.3 million as at 31 December 2021 as the default bank borrowings in the amount of approximately RMB16.1 million had been transferred to an asset management company in the PRC and reclassified as other loan. 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 March 2023.

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. (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 ("**Dasen (Heze)**"), 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 (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. Since April 2022, the local PRC management has been verbally notified by the relationship manager of China Construction Bank Chengwu Branch that the bank has started the internal procedure to sell the overdue debts of Meisen (SD) and Dasen (Heze) to a Shandong asset management company. In early August 2022, the local PRC management was being notified that the sale was completed and the Shandong asset management company being the creditor of the overdue debts. In December 2022, a Zhejiang asset management company became the new creditor after they purchased the debts from the Shandong asset management company

On 11 April 2023, Dasen (Heze) and Meisen (SD) received notices from the Court which stated that, among others, the Zhejiang asset management company had applied to the Court for the enforcement of the pledge under the outstanding overdue debts in the aggregate principal amount of approximately RMB16 million (the "**Debts**"), if each of Dasen (Heze) and Meisen (SD) fails to repay the unpaid principal amount, interest and costs of the action of claim within three days from the date of notice.

As at the date of this announcement, the Group is in negotiation with the asset management company regarding the disposal of the parcel of land and buildings located at Chengwu County Industrial Park of Heze, Shandong Province, the PRC (the "**Disposal**"). It is intended that the proceeds from the Disposal will be used for the repayment of the Debts and the Lawsuits will be fully settled following completion of the repayment.

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, 14 February 2022, 20 May 2022, 30 June 2022 and 20 January 2023 (the "**Announcements**") in relation to the 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 Debt Restructuring, the Group restructured its debts by way of implementing the Creditors Scheme. The Creditors Scheme has been 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. The Debt Restructuring was completed on 6 January 2023.

Scheme of Arrangement

On 9 December 2021, the Creditors 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 Creditors 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 Creditors 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 Creditors 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 Creditors 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 Creditors Scheme.

As part of the Creditors Scheme to solicit support and entice the Scheme Creditors, the Company had also issued and allotted the Consent Fee Shares of 10,020,501 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 Creditors 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 then 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**").

The Company completed the Amended Open Offer on 25 July 2022 and issued a total of 584,640,000 Offer Shares. All the proceeds of approximately HK$23.4 million raised have been utilised for settlement of the payment obligations under the Creditors Scheme and as working capital of the Group.

For further details, please refer to the prospectus of the Company dated 30 June 2022 and the announcement of the Company dated 22 July 2022.

Debt Capitalisation

On 20 January 2023, the Company entered into a settlement deed with a creditor of the Company, pursuant to which, among others, the Company has conditionally agreed to capitalise an aggregate amount of approximately HK$4,386,247 owed to the creditor by the Company, the creditor has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 73,104,116 capitalisation Shares at the issue price of HK$0.060 per capitalisation Share under the general mandate. The capitalisation Shares was allotted and issued by the Company on 21 April 2023.

Convertible Bonds

On 3 March 2023, the Company entered into a placing agreement with a placing agent in relation to the placing of convertible bonds with an aggregate principal amount of up to HK$9,000,000. On 23 March 2023, the convertible bonds with an aggregate principal amount of HK$7,800,000 have been issued by the Company to eight placees. The convertible bonds carries an interest of 10% which is payable on a semi-annual basis in arrears from the date of issue, and will mature on 23 March 2025. The conversion price is HK$0.15 per convertible bonds and the holders are entitled to convert them into ordinary Shares on the maturity date.

The Company received net proceeds of approximately HK$7.6 million and approximately HK$5.8 million (equivalent to approximately RMB5.1 million) has been used for the capital injection to a 51% owned subsidiary, namely Shenzhen Vfuchong Qucheng Technology Co., Ltd.*（深圳市微付充趣程科技有限公司）(the "**Shenzhen Vfuchong**") and the remaining HK$1.8 million has been utilised for general working capital of the Group.

Income tax

The Group's income tax for the fifteen months ended 31 March 2023 was nil (year ended 31 December 2021: approximately RMB41,000), as per tax assessment from local government.

Security on assets

As at 31 March 2023, certain assets of the Group with an aggregated carrying value of approximately RMB69.5 million were pledged to the bank as security for the loan facility (31 December 2021: RMB83.9 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 "**Unrecorded Pledge Announcements**"). Capitalised terms used in this section shall have the same meaning as those defined in the Unrecorded Pledge Announcements unless otherwise specified.

As disclosed in the Unrecorded Pledge 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 (SD), with a carrying 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 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 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 (SD) 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.

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.

As at 31 March 2023, the Company has made a partial repayment of RMB1.0 million of this third party loan as well as to enter into an agreement with 菏澤中眾合市場開發有限公司 to terminate the pledge arrangement upon full repayment of the remaining balance. As at the date of this announcement, the Group is in negotiation with an independent third party regarding the Disposal. It is intended that part of the proceeds from the Disposal will be used for the repayment of this third party loan and it is expected that following the repayment, the pledge arrangement will no longer involve a third party but with the bank directly.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2023 (31 December 2021: Nil).

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had no capital commitments contracted but not provided for (31 December 2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the fifteen months ended 31 March 2023, 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 total salaries and related costs granted to employees, including directors' emoluments amounted to approximately RMB5.8 million for the fifteen months ended 31 March 2023.

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 fifteen months ended 31 March 2023 (31 December 2021: Nil).

The Board did not declare an interim dividend to shareholders for the fifteen months ended 31 March 2023 (31 December 2021: 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 fifteen months ended 31 March 2023 have also been reviewed by the Audit Committee.

As at 31 March 2023, the Audit Committee consists of three independent non-executive Directors, namely Mr. Chan Shiu Yuen Sammy, Mr. Kwok Yiu Tong and Ms. Lo Yuk Yee and one non-executive Director, namely Mr. Sun Yongtao.

Mr. Chan Shiu Yuen Sammy serves as the chairman of the Audit Committee. The annual results of the Company for the fifteen months ended 31 March 2023 has been reviewed by the Audit Committee.

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 fifteen months ended 31 March 2023. An extract of the independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT" on pages 21 to 22 of this results announcement.

The Directors 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 fifteen months ended 31 March 2023.

The Creditors Scheme

As part of the Debt Restructuring, the Group restructured its debts by way of implementing the Scheme. The Creditors Scheme has been 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. The Debt Restructuring was completed on 6 January 2023.

On 9 December 2021, the Creditors 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. Upon the Creditors 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 Creditors 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.

The Open Offer

On 1 September 2021, the Board resolved to modify the Open Offer and the Company completed the Amended Open Offer on 25 July 2022 and issued a total of 584,640,000 Offer Shares. The total proceeds raised from the Amended Open Offer was approximately HK$23.4 million. Among the total net proceeds of HK$23.4 million, approximately HK$20 million has been used for settlement of the payment obligations under the Creditors Scheme, and the remaining proceeds of approximately HK$3.4 million has been used for working capital of the Group.

For further details, please refer to the prospectus of the Company dated 30 June 2022 and the announcement of the Company dated 22 July 2022.

Debt Capitalisation

On 20 January 2023, the Company entered into a settlement deed with a creditor of the Company, pursuant to which, among others, the Company has conditionally agreed to capitalise an aggregate amount of approximately HK$4,386,247 owed to the creditor by the Company, the creditor has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 73,104,116 capitalisation Shares at the issue price of HK$0.060 per capitalisation Share under the general mandate. The capitalisation Shares was allotted and issued by the Company on 21 April 2023. The Group may further negotiate with other creditors of the Group for settlement of their debts through capitalisation issues.

Convertible Bonds

On 3 March 2023, the Company entered into a placing agreement with a placing agent in relation to the placing of convertible bonds with an aggregate principal amount of up to HK$9,000,000. On 23 March 2023, the convertible bonds with an aggregate principal amount of HK$7,800,000 have been issued by the Company to eight placees. The convertible bonds carries an interest of 10% which is payable on a semi-annual basis in arrears from the date of issue, and will mature on 23 March 2025. The conversion price is HK$0.15 per convertible bonds and the holders are entitled to convert them into ordinary Shares on maturity date.

The Company received net proceeds of approximately HK$7.6 million and approximately HK$5.8 million (equivalent to approximately RMB5.1 million) has been used for the capital injection to Shenzhen Vfuchong and the remaining HK$1.8 million has been utilised for general working capital of the Group.

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. As at the date of this announcement, the Group is in negotiation with an independent third party regarding the Disposal. It is intended that part of the proceeds from the disposal will be used for the repayment of loan and the remaining proceeds will be utilised for general working capital of the Group.

Financial Support from Major Shareholders

The Company has received financial support from major shareholders in terms of cash advances made to support the 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 to be obtained in Hong Kong and China.

Fund Raising Exercises

The Company will consider various fund raising exercises to reduce its debt level, including but not limited to open offer, rights issue, placing of new Shares to independent individuals, corporate and/or institutional and professional investors and/or debt capitalisation, depending on the then prevailing market conditions. As at the date of this announcement, no agreement has been entered in respect of any fund raising exercises.

Extension of Repayment Period of Other Loans

As at the date of this announcement, the Group is in discussion with the lenders of certain defaulted other loans of the Group, including, among others, the loan from an independent third party in the PRC in the amount of RMB8,500,000 which was due for repayment in June 2022, and the two borrowings from an independent third party in Hong Kong in the amount of HK$650,000 (equivalent to approximately RMB569,000) which was due for repayment in May and June 2022, on the extension of the repayment period of the defaulted loans. It is intended that the defaulted loans would be extended for a period of no less than 12 months from the date of extension.

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 fifteen months ended 31 March 2023 is the outcome of, among other things, whether the Group can successfully roll out the new business of Shenzhen Vfuchong, implement new measures to improve sales such as rolling out new business initiatives with products of higher profit margin under the plywood business, control costs, contain capital expenditures, and accelerate the collection of trade and other receivables so as to enhance the Group's working capital position. The Group has already made some progress in these areas in 2022, in particular on the restructuring of the debts position of the Group which is reflected in the financial performance in the fifteen months ended 31 March 2023 and the financial position as at 31 March 2023. The Group will continue to accelerate the improvements in the coming year.

With the improvement in financial position and replenishment of liquidity, the Group is prepared to turn a new page in its business development. For the plywood business, the Group is in discussions with a new business partners to develop new products with higher margin and export such products to the Asian countries, especially Japan. A partnership agreement has been signed and the new business is expected to commence in 2023. On the other hand, in March 2023, the Group entered into a joint venture agreement with Shenzhen Vfuchong Technology Co., Ltd.* (深圳市微付充科技有限公司) and Shenzhen Qucheng Tongchuang Technology Enterprise (Limited Partnership)* (深圳市趣程同創科技企業(有限合夥)) in relation to the operation of Shenzhen Vfuchong. Shenzhen Vfuchong will be engaged in the operation of a hotel virtual room card system and an e-commerce membership club platform. As at the date hereof, Shenzhen Vfuchong is in discussion with certain major hotel operators for the development of their hotel virtual room card systems. In addition, the app of an e-commerce membership club platform has been developed and is expected to launch in August 2023. It is expected that Shenzhen Vfuchong will broaden the income stream of the Group and begin to generate revenue during the year ending 31 March 2024. Following the development and establishment of presence by Shenzhen Vfuchong in the industry, the Directors expect that Shenzhen Vfuchong would be able to contribute a new revenue stream to the Group and turnaround the Group's loss making position. Our management team will strive to develop the new export business for the plywood products and the business of Shenzhen Vfuchong while maintaining stringent cost control measures.

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 March 2024).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the fifteen months ended 31 March 2023, 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 fifteen months ended 31 March 2023.

ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date when the Company's annual general meeting will be held and the relevant book closure arrangement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules, which is expected to be published in July 2023.

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 will be despatched to the shareholders of the Company and published on the above website in July 2023.

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

Hong Kong, 30 June 2023

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 Mr. CHAN Shiu Yuen Sammy, Mr. KWOK Yiu Tong and Ms. LO Yuk Yee.