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**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 INTERIM RESULTS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022**

The board of directors (the “**Board**”) of Da Sen Holdings Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the twelve months ended December 31, 2022. This interim financial information has not been audited but has been reviewed by the Company’s Audit Committee.

**SUMMARY**

- Consolidated revenue decreased by 66.6 percent to RMB57.8 million
- Consolidated operating loss before tax decreased by 90.9 percent to RMB10.8 million
- Gross loss margin decreased by 95.5 percent from 33.0 percent to 1.5 percent
- Loss attributable to owners of the Company amounted to RMB10.9 million
- Basic loss per share: RMB0.76 cents
- The Board did not declare the payment of an interim dividend

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the twelve months ended 31 December 2022*

		<b>Twelve months ended 31 December</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
Revenue	7	<b>57,754</b>	172,748
Cost of sales		<b>(58,630)</b>	(229,799)
Gross loss		<b>(876)</b>	(57,051)
Selling and distribution expenses		<b>(424)</b>	(1,140)
Administrative expenses		<b>(13,801)</b>	(16,883)
Allowance for expected credit losses, net		<b>(4,858)</b>	(22,629)
Other income, gains or (losses)		<b>14,255</b>	(17,662)
Finance costs		<b>(5,099)</b>	(3,745)
Loss before tax	8	<b>(10,803)</b>	(119,110)
Income tax expense	9	<b>(83)</b>	(41)
Loss and total comprehensive expenses for the period/year attributable to the owners of the Company		<b>(10,886)</b>	(119,151)
			(unaudited) (restated)
Loss per share attributable to the owners of the Company			
— Basic and diluted (expressed in RMB cents per share)	11	<b>(0.76)</b>	(9.17)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2022

	<i>Notes</i>	<b>31 December 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	<i>12</i>	2,770	7,352
Property, plant and equipment	<i>13</i>	17,645	37,425
Investment properties	<i>14</i>	65,935	45,160
		<u>86,350</u>	<u>89,937</u>
<b>Current assets</b>			
Inventories		3,342	5,116
Trade and other receivables	<i>15</i>	78,793	82,373
Cash and cash equivalents		156	3,259
		<u>82,291</u>	<u>90,748</u>
<b>Total assets</b>		<u><b>168,641</b></u>	<u><b>180,685</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>16</i>	14,165	8,592
Share premium	<i>16</i>	233,473	212,502
Other reserves		52,942	52,942
Accumulated losses		(234,802)	(223,916)
		<u>65,778</u>	<u>50,120</u>

	<i>Notes</i>	<b>31 December 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Deferred income		<u>242</u>	<u>267</u>
<b>Current liabilities</b>			
Trade and other payables	<i>17</i>	<b>48,241</b>	53,983
Deferred income		<b>25</b>	25
Receipt in advance		<b>4,621</b>	240
Tax payables		<b>7,168</b>	7,168
Amount due to related parties		<b>7,484</b>	6,235
Borrowings	<i>18</i>	<u><b>35,082</b></u>	<u>62,647</u>
		<u><b>102,621</b></u>	<u>130,298</u>
Total liabilities		<u><b>102,863</b></u>	<u>130,565</u>
<b>Total equity and liabilities</b>		<u><b>168,641</b></u>	<u>180,685</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2022

	Equity attributable to the owners of the Company				
	Share capital (Note 16) RMB'000	Share premium (Note 16) RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021 (audited)	8,592	212,502	52,942	(104,765)	169,271
Loss and total comprehensive expenses for the year (audited)	—	—	—	(119,151)	(119,151)
At 31 December 2021 and 1 January 2022 (audited)	<b>8,592</b>	<b>212,502</b>	<b>52,942</b>	<b>(223,916)</b>	<b>50,120</b>
Loss and total comprehensive expenses for the period (unaudited)	—	—	—	(10,886)	(10,886)
Issue of shares from open offer (unaudited)	<b>5,028</b>	<b>15,083</b>	—	—	<b>20,111</b>
Issue of shares from scheme arrangement (unaudited)	<b>545</b>	<b>5,888</b>	—	—	<b>6,433</b>
At 31 December 2022 (unaudited)	<b>14,165</b>	<b>233,473</b>	<b>52,942</b>	<b>(234,802)</b>	<b>65,778</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 31 December 2022

	Twelve months ended	
	31 December	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
<b>Operating activities</b>		
Cash used in operations	(3,043)	(4,614)
Interest received	12	5
Interest paid	(7,242)	(2,111)
Income tax paid	(83)	(41)
	<u>          </u>	<u>          </u>
<b>Net cash used in operating activities</b>	<b>(10,356)</b>	<b>(6,761)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	–	(110)
Proceeds from disposal of property, plant and equipment	–	236
Addition to investment properties	–	(1,756)
	<u>          </u>	<u>          </u>
<b>Net cash used in investing activities</b>	<b>–</b>	<b>(1,630)</b>
<b>Financing activities</b>		
Proceeds from borrowings	1,997	18,500
Repayments of borrowings	(14,855)	(12,613)
Proceeds from issue of shares	20,111	–
	<u>          </u>	<u>          </u>
<b>Net cash from financing activities</b>	<b>7,253</b>	<b>5,887</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,103)</b>	<b>(2,504)</b>
Cash and cash equivalents at beginning of the period/year	3,259	5,763
	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at end of the period/year</b>	<b>156</b>	<b>3,259</b>
	<u>          </u>	<u>          </u>

# NOTES TO THE INTERIM CONDENSED 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 manufacturing and selling of plywood and leasing.

These interim condensed consolidated financial information are presented in RMB, unless otherwise stated. All values are rounded to the nearest RMB thousand (“**RMB’000**”), unless otherwise used.

These interim condensed consolidated financial information have been reviewed by the audit committee of the Company and have been approved for issue by the Board on 28 February 2023.

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited.

### **Going concern basis**

For the twelve months ended 31 December 2022, the Group incurred a net loss of RMB10,886,000 and recorded a net operating cash outflow of RMB10,356,000. As at 31 December 2022, the Group recorded a net current liabilities of RMB20,330,000, where the Group’s current borrowings amounted to RMB35,082,000 in total, including bank borrowings of RMB8,500,000 and other loan of RMB26,582,000 from independent third parties in both the PRC and Hong Kong, while the Group’s cash and cash equivalents amounted to RMB156,000 only.

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. During the twelve months ended 31 December 2022, the bank auctioned the loan to the independent third party.

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**

### **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 and to improve the financial position, to refinance its operation and to restructure its debts. These include the followings:

- (i) 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
- (ii) 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 senior management of the Company have reviewed the Group's cash flow projections, covering a period of not less than twelve months from the date of this report, 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 report. 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**

### **Going concern basis – continued**

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 raising additional cash through financing from major shareholders and the potential disposal of certain assets of the Group; and
- (ii) 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 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. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

## **3. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD**

The Restructuring Scheme was sanctioned without modification by the High Court at the sanction hearing on 11 January 2022.

The Amended Open Offer has been completed in July 2022 for consideration of RMB20,111,000 and the scheme shares issued in November 2022. The bonds payables, accrued bond interest and legal charge payables have been settled by the cash consideration of RMB12,920,000 and 59,215,000 scheme shares with offer price of HK\$0.118 per share.

The Group recorded a gain on debt-restructuring of RMB14,755,000 which included in the other income, gains or (losses) in interim condensed consolidated statement of profit or loss and other comprehensive income.

#### 4. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board (the “IASB”), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the twelve months ended 31 December 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

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

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

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and on the disclosures set out in these interim condensed consolidated financial statements.

#### 5. ESTIMATES

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

## 6. FINANCIAL INSTRUMENTS

An analysis of the Group's revenue for the period is as follows:

### 6.1 Financial risk factors

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables, borrowings and amount due to related parties. The risks associated with these financial instruments include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2021.

There have been no changes in the risk management department since the last year end or in any risk management policies.

### 6.2 Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

#### (i) Risk management

Credit risk is managed on a group basis. Bank deposits and cash at bank are deposited in reputable financial institutions which are considered with low credit risk.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivables arising from sales of products due from them is not significant.

## 6. FINANCIAL INSTRUMENTS – continued

### 6.2 Credit risk – continued

#### *(ii) Impairment of financial assets*

The Group has trade receivables for sales of inventory that are subject to the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

#### *Trade receivables*

The Group applies the IFRS 9 modified retrospective approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days exceed the normal collecting period.

Individually impaired trade receivable is related to customer who is experiencing unexpected economic difficulties. The Group expects that the entire amounts of the receivables will have difficulty to be recovered and has recognised impairment losses. As at 31 December 2022, trade receivables of RMB98,988,000 has been fully provided for loss allowance for these individually assessed receivables.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total receivables as at 31 December 2022. The Group has concentration of credit risk as 21% and 55% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has considered the business, financial or economic conditions and performance and behaviour of customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

## 6. FINANCIAL INSTRUMENTS – continued

### 6.2 Credit risk – continued

#### (ii) Impairment of financial assets – continued

##### Trade receivables – continued

The Group considered various indicators, including, but not limited to, the prevailing market conditions in assessing how the expected loss rate should be adjusted. The Group had also considered the probability of default (“PD”) and potential loss given default (“LGD”) for its financial assets in its analysis. Given the difficult economic conditions and its analysis based on the above factors, the Group incorporated both current and forward-looking information by increasing its expected loss rates based with reference to its historical loss rate. In assessing the expected loss rate, the Group calculated the PD and LGD for each class of accounts receivables by incorporating forward-looking adjustments.

On that basis, the expected credit loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

	Unaudited				Total RMB'000
	Current RMB'000	Past due for within 6 months RMB'000	Past due for more than 6 months and less than 1 year RMB'000	Past due for more than 1 year RMB'000	
<b>At 31 December 2022</b>					
Expected credit loss rate	2.80%	4.02%	12.63%	18.84%	14.12%
Gross carrying amount	5,935	9,287	18,718	40,062	74,002
Expected credit loss allowance	166	373	2,365	7,548	10,452
Individually impaired receivables	–	–	–	98,988	98,988
Total expected credit loss allowance	<u>166</u>	<u>373</u>	<u>2,365</u>	<u>106,536</u>	<u>109,440</u>

## 6. FINANCIAL INSTRUMENTS – continued

### 6.2 Credit risk – continued

#### (ii) Impairment of financial assets – continued

##### Trade receivables – continued

	Audited				Total RMB'000
	Current RMB'000	Past due for within 6 months RMB'000	Past due for more than 6 months and less than 1 year RMB'000	Past due for more than 1 year RMB'000	
At 31 December 2021					
Expected credit loss rate	1.08%	3.25%	6.54%	52.60%	6.98%
Gross carrying amount	<u>34,991</u>	<u>20,741</u>	<u>14,730</u>	<u>6,368</u>	<u>76,830</u>
Expected credit loss allowance	377	673	964	3,349	5,363
Individually impaired receivables	<u>–</u>	<u>–</u>	<u>–</u>	<u>99,219</u>	<u>99,219</u>
Total expected credit loss allowance	<u>377</u>	<u>673</u>	<u>964</u>	<u>102,568</u>	<u>104,582</u>

The accumulated expected credit loss allowances for trade receivables as at 31 December 2022 and 31 December 2021 reconcile to the opening expected credit loss allowances as follows:

	Trade receivables RMB'000
<b>Opening expected credit loss allowance at 1 January 2021</b> <b>(audited)</b>	81,953
Provision for allowance for expected credit losses, net (audited)	<u>22,629</u>
<b>Closing expected credit loss allowance at 31 December 2021</b> <b>(audited)</b>	104,582
Provision for allowance for expected credit losses, net (unaudited)	<u>4,858</u>
<b>Closing expected credit loss allowance at 31 December 2022</b> <b>(unaudited)</b>	<u>109,440</u>

## 6. FINANCIAL INSTRUMENTS – continued

### 6.2 Credit risk – continued

#### (ii) Impairment of financial assets – continued

##### *Trade receivables – continued*

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented within operating result. Subsequent recoveries of amounts previously written off are credited against the same line item.

##### *Other receivables at amortised cost*

Other financial assets at amortised cost include other receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The accumulated expected credit loss allowances for other receivables as at 31 December 2022 and 31 December 2021 reconcile to the opening expected credit loss allowances as follows:

	Other receivables <i>RMB'000</i>
<b>Opening expected credit loss allowance at 1 January 2021</b>	
<b>(audited)</b>	17,971
Provision for allowance for expected credit losses, net (audited)	–
Write-off (audited)	<u>(6,466)</u>
<b>Closing expected credit loss allowance at 31 December 2021</b>	
<b>(audited)</b>	11,505
Provision for allowance for expected credit losses, net (unaudited)	<u>–</u>
<b>Closing expected credit loss allowance at 31 December 2022</b>	
<b>(unaudited)</b>	<u><u>11,505</u></u>



## 6. FINANCIAL INSTRUMENTS – continued

### 6.3 Liquidity Risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Unaudited					Total carrying amount RMB'000
	Weighted average effective interest rate %	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	
At 31 December 2022						
Borrowings	7.26	37,628	–	–	37,628	35,082
Trade and other payables	n/a	48,241	–	–	48,241	48,241
Amount due to related parties	n/a	7,484	–	–	7,484	7,484
		<u>93,353</u>	<u>–</u>	<u>–</u>	<u>93,353</u>	<u>90,807</u>
At 31 December 2021						
Borrowings	6.75	66,876	–	–	66,876	62,647
Trade and other payables	n/a	51,915	–	–	51,915	51,915
Amount due to related parties	n/a	6,235	–	–	6,235	6,235
		<u>125,026</u>	<u>–</u>	<u>–</u>	<u>125,026</u>	<u>120,797</u>

## 6. FINANCIAL INSTRUMENTS – continued

### 6.4 Fair value estimation

As at 31 December 2022, the Group had no financial instruments that are subsequently measured in the condensed consolidated balance sheet at fair value.

The carrying amounts of the Group's financial assets, including trade and other receivables, cash and cash equivalents and short term liabilities, including trade and other payables and borrowings are assumed to approximate their fair values due to their short-term maturities.

## 7. REVENUE AND SEGMENT INFORMATION

An analysis of revenue and information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resources allocation and assessment of segment performance for the year ended December 31 is set out below:

- Manufacturing and selling of plywood; and
- Leasing activities.

No geographical segment information is presented as all the revenue and operating losses of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The directors assess the performance of the business segments based on loss before tax without allocation of certain finance costs and administrative expenses, which is consistent with that in the condensed consolidated financial statements.

Segment assets consist of right-of-use assets, property, plant and equipment, investment properties, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets mainly comprise cash and cash equivalents, property, plant and equipment and other receivables held by non-PRC incorporated companies.

Segment liabilities consist of borrowings, deferred income, trade and other payables and other current tax liabilities. Unallocated liabilities mainly comprise amount due to related parties, other payables and bonds payables held by non-PRC incorporated companies.

## 7. REVENUE AND SEGMENT INFORMATION – continued

The segment information for the twelve months ended 31 December 2022 is as follows:

	Unaudited		
	Plywood <i>RMB'000</i>	Leasing activities <i>RMB'000</i>	Group <i>RMB'000</i>
<b>Segment result</b>			
Revenue	<u>54,269</u>	<u>3,485</u>	<u>57,754</u>
Segment results	<u>(14,498)</u>	<u>(1,718)</u>	<u>(16,216)</u>
Unallocated income			6,538
Finance costs			<u>(1,125)</u>
Loss before tax			(10,803)
Income tax expense			<u>(83)</u>
Loss for the period			<u><u>(10,886)</u></u>

	Unaudited			
	Plywood <i>RMB'000</i>	Leasing activities <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Group <i>RMB'000</i>
<b>Other segment items</b>				
<i>Income statement items:</i>				
Allowance for expected credit losses, net	4,858	–	–	4,858
Depreciation on right-of-use assets	68	–	–	68
Depreciation on property, plant and equipment	828	30	37	895
Depreciation on investment properties	–	2,624	–	2,624
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 7. REVENUE AND SEGMENT INFORMATION – continued

The segment assets and liabilities at 31 December 2022 are as follows:

	Unaudited			Total <i>RMB'000</i>
	Plywood <i>RMB'000</i>	Leasing activities <i>RMB'000</i>	Unallocated <i>RMB'000</i>	
Total assets	<u>102,055</u>	<u>66,559</u>	<u>27</u>	<u>168,641</u>
Total liabilities	<u>62,973</u>	<u>24,716</u>	<u>15,174</u>	<u>102,863</u>

The segment information for the twelve months ended 31 December 2021 is as follows:

	Audited		
	Plywood <i>RMB'000</i>	Leasing activities <i>RMB'000</i>	Group <i>RMB'000</i>
<b>Segment result</b>			
Revenue	<u>170,548</u>	<u>2,200</u>	<u>172,748</u>
Segment results	<u>(106,921)</u>	<u>(3,969)</u>	(110,890)
Unallocated costs			(7,471)
Finance costs			<u>(749)</u>
Loss before tax			(119,110)
Income tax expense			<u>(41)</u>
Loss for the year			<u>(119,151)</u>

## 7. REVENUE AND SEGMENT INFORMATION – continued

	Audited			
	Plywood <i>RMB'000</i>	Lease activities <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Other segment items</b>				
<i>Income statement items:</i>				
Allowance for expected credit losses, net	22,629	–	–	22,629
Depreciation on right-of-use assets	256	–	–	256
Impairment loss on right-of-use assets	2,971	–	–	2,971
Depreciation on property, plant and equipment	2,339	26	41	2,406
Impairment loss on property, plant and equipment	15,019	–	–	15,019
Gain on disposal of property, plant and equipment	(163)	–	–	(163)
Depreciation on investment properties	–	1,541	–	1,541
Impairment loss on investment properties	–	933	–	933
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Other items:</i>				
Additions to non-current assets	110	–	–	110
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The segment assets and liabilities at 31 December 2021 are as follows:

	Audited			
	Plywood <i>RMB'000</i>	Leasing activities <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Group <i>RMB'000</i>
Total assets	<u>135,258</u>	<u>45,389</u>	<u>38</u>	<u>180,685</u>
Total liabilities	<u>60,312</u>	<u>22,358</u>	<u>47,895</u>	<u>130,565</u>

## 8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting) the followings:

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(unaudited)</b>	(audited)
Staff costs, including directors' emoluments and related retirement benefits scheme contributions	<b>3,617</b>	8,664
Auditor's remuneration	–	880
Cost of inventories recognised as expense	<b>58,618</b>	217,312
Depreciation on property, plant and equipment	<b>895</b>	2,406
Impairment loss on property, plant and equipment	–	15,019
Depreciation on investment properties	<b>2,624</b>	1,541
Impairment loss on investment properties	–	933
Depreciation on right-of-use assets	<b>68</b>	256
Impairment loss on right-of-use assets	–	2,971
Write off of other receivables	–	105
Gain on debt-restructuring	<b>(14,755)</b>	–
	<b><u>                    </u></b>	<b><u>                    </u></b>
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Gross rental income from investment properties	<b>(3,485)</b>	(2,200)
Less: Direct operating expenses from investment properties that generated rental income during the year	<b>12</b>	14
	<b><u>                    </u></b>	<b><u>                    </u></b>
	<b>(3,473)</b>	(2,186)
	<b><u>                    </u></b>	<b><u>                    </u></b>

## 9. INCOME TAX EXPENSE

	Twelve months ended	
	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Current tax	–	–
Under-provision of PRC Enterprise Income Tax	83	41
Deferred income tax	–	–
	<hr/>	<hr/>
	83	41
	<hr/> <hr/>	<hr/> <hr/>

### (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% for both periods.

### (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% for both periods.

### (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 2022.

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 11. LOSS PER SHARE

### (a) Basic

Basic loss per share for the twelve months ended 31 December 2022 and 2021 are calculated by dividing the loss attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue in the respective periods.

	Twelve months ended 31 December	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Loss attributable to the owners of the Company	<u>(10,886)</u>	<u>(119,151)</u>
		(unaudited) (restated)
Weighted average number of ordinary shares in issue (thousands)	<u>(1,428,009)</u>	<u>(1,299,200)</u>
Basic loss per share (RMB cents per share)	<u><u>(0.76)</u></u>	<u><u>(9.17)</u></u>

The basic loss per share has been adjusted to reflect the open offer of shares subsequent to the twelve months ended 31 December 2021.

### (b) Diluted

During the periods ended 31 December 2022 and 2021, the diluted loss per share are equal to basic loss per share, as there were no potential ordinary shares in issue for both periods.

## 12. RIGHT-OF-USE ASSETS

The land use rights are held with lease term of 50 years and the land is situated in Heze city, Shandong province, the PRC.

As at 31 December 2022, land use rights of the Group with a carrying value of RMB2,770,000 were pledged as security for short-term bank borrowings of the Group.

During twelve months ended 31 December 2022, land use rights of the Group with a carrying value of RMB4,514,000 has been reclassified to investment properties.



### **13. PROPERTY, PLANT AND EQUIPMENT**

As at 31 December 2022, plants of the Group with a carrying value of RMB16,457,000 were pledged as security for short-term bank borrowings and other loan of the Group.

As at 31 December 2022, plants of the Group with a carrying value of RMB722,000 were without real estate titles and they are in the process of applying for the real estate certificates.

During twelve months ended 31 December 2022, plant of the Group with a carrying value of RMB18,885,000 has been reclassified to investment properties.

### **14. INVESTMENT PROPERTIES**

These investment properties, which are located at Dasen Industrial Park, Chengwu County Development Zone, Heze, Shandong Province, the PRC and Meisen Industrial Park, Sunsi Town Chengwu County, Heze, Shandong Province, the PRC, respectively, were stated at historical cost less subsequent accumulated depreciation and any accumulated impairment losses at the end of each reporting period.

As at 31 December 2022, investment properties of the Group with a carrying value of RMB61,369,000 were pledged as security for short-term bank borrowings and other loan of the Group.

As at 31 December 2022, investment properties of the Group with a carrying value of RMB10,229,000 were without real estate titles and they are in the process of applying for the real estate certificates.

As advised by the independent valuer who conducted the valuation of the investment properties of the Group as of 31 December 2021, there has been no material change in fair value of the Group's investment properties since 25 March 2022, the date of issuance of its reports, and up to 31 December 2022. Accordingly, the directors of the Company consider it appropriate to determine the fair value of the Group's investment properties of as at 31 December 2022 with reference to the fair value as at 31 December 2021.

#### **Valuations as of 31 December 2021**

The fair value of the Group's investment properties as at 31 December 2021 were determined to be approximately RMB59,600,000 with reference to valuations performed by Peak Vision Appraisals Limited, an independent valuer on the investment properties as at 31 December 2021. The valuer has appropriate qualifications and experience in the valuation of properties in the relevant locations. An impairment charge of RMB933,000 was recognised in "Other income, gains or (losses)" in the condensed consolidated statement of comprehensive income for the year ended 31 December 2021.

## 14. INVESTMENT PROPERTIES – continued

### Valuations as of 31 December 2021 – continued

The valuations were based on market approach, an approach determined to be the most appropriate valuation methodology for valuing the investment properties of the Group. The rationale for this method is to determine the market rate by considering identified market comparable transactions with the subject property. Adjustments will be applied to the said comparable transactions to adjust for differences between the subject property and the comparable transactions. The fair value estimation of the investment property is categorised in level 3 hierarchy. As at 31 December 2021, the key assumptions adopted in the valuation that support the determination of fair value were in the following ranges for the Group’s portfolio of investment properties:

Description	Fair value at 31 Dec 2021 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	59,600	Investment method	(i) Reversionary yield;	5.5%-6%	Higher of the yield, lower of the fair value
			(ii) Average market rent (RMB/sq.m.)	6.9-8.5	The higher the market rent, the higher the fair value

## 15. TRADE AND OTHER RECEIVABLES

	As at	
	31 December 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables	172,991	176,232
Less: accumulated allowance for expected credit losses	<u>(109,440)</u>	<u>(104,582)</u>
	63,551	71,650
Prepayments for raw materials	13,520	10,723
Other receivables	13,227	11,505
Less: accumulated allowance for expected credit losses	<u>(11,505)</u>	<u>(11,505)</u>
	<u>78,793</u>	<u>82,373</u>

## 15. TRADE AND OTHER RECEIVABLES – continued

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

	As at	
	31 December 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Up to 3 months	5,769	34,798
4 to 6 months	8,914	20,068
7 to 12 months	16,353	13,766
Over 1 year	32,515	3,018
	<u>63,551</u>	<u>71,650</u>

Details of impairment assessment for expected credit losses of trade and other receivables for the twelve months ended 31 December 2022 and 31 December 2021 are set out in Note 6.

## 16. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares '000	Amount		
		Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021, 31 December 2021, 1 January 2022	974,400	8,592	212,502	221,094
Issue of shares from open offer (unaudited)	584,640	5,028	15,083	20,111
Issue of shares from scheme of arrangement (unaudited)	59,215	545	5,888	6,433
At 31 December 2022	<u>1,618,255</u>	<u>14,165</u>	<u>233,473</u>	<u>247,638</u>

## 17. TRADE AND OTHER PAYABLES

	As at	
	31 December 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Trade payables	28	335
Other taxes payable	25,467	24,850
Accrued expenses	12,556	16,810
Interest payable	4,024	5,575
Advance from customers	–	2,068
Others	6,166	4,345
	<u>48,241</u>	<u>53,983</u>

As at 31 December 2022 and 31 December 2021, the aging analysis of the trade payables based on invoice date was as follows:

	As at	
	31 December 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Within 3 months	<u>28</u>	<u>335</u>

## 18. BORROWINGS

	As at	
	31 December 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Bonds repayable within one year	–	27,860
Short-term bank borrowings – secured	8,500	25,287
Other loan	26,582	9,500
	<u>35,082</u>	<u>62,647</u>

## 18. BORROWINGS – continued

The secured bank borrowings borrowed from banks in the PRC by the PRC subsidiaries have been auctioned to an independent third party in the PRC. The principal amounts of the loans being transferred is RMB16,085,000. The nature of the loan has been changed from short-term bank borrowings to other loan in April 2022.

During twelve months ended 31 December 2022, the Group borrowed seven unsecured other loans of RMB2,168,000 from two independent third parties which mature in April, May, June and December 2022. The interest rate is 14%.

Except for the above, the other borrowings have not been amended during the twelve months ended 31 December 2022.

## 19. CONTINGENT LIABILITIES

As at 31 December 2022 and 31 December 2021, the Group had no material contingent liabilities.

## 20. PLEDGED OF ASSETS

	As at	
	31 December 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Investment properties situated in the PRC	61,369	40,493
Property, plant and equipment situated in the PRC	16,457	36,100
Right-of-use assets situated in the PRC	2,770	7,352
	<u>80,596</u>	<u>83,945</u>

## 21. RELATED PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year, and balances arising from related party transactions as at the respective dates of reporting period:

### (i) Guarantees provided by related parties in respect of the Group's borrowings from banks

As at 31 December 2022, the Group's short-term borrowings of RMB16,085,000 (2021: RMB18,900,000) were guaranteed by Mr. Ke Mingcai, an ex-director of the Company, together with his spouse. Short-term borrowings of RMB8,500,000 (2021: RMB9,000,000) were guaranteed by Mr. Ke Mingcai together with Mr. Zhang Ayang, an executive director of the Company.

### (ii) Key management personnel compensation

	Twelve months ended 31 December	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Salaries and bonus	1,738	1,804
Pension, housing fund, medical insurance and others	—	—
	<u>1,738</u>	<u>1,804</u>

## 22. EVENTS AFTER REPORTING PERIOD

On 20 January 2023, the Company entered into Settlement Deed with the Creditor. The Creditor has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 73,104,000 Capitalisation Shares at issue price of HK\$0.06 per share.

## 23. COMPARATIVE FIGURES

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

## REVIEW OF OPERATIONS

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in the sale and manufacture of wood products, trading, as well as property activities.

### Wood Operations

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 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 wood operations income of the Group accounted for approximately 94.0 percent of the total revenue for the twelve months ended 31 December 2022.

For the twelve months ended 31 December 2022, the Company recorded gross loss of approximately RMB0.9 million (2021: RMB57.1 million) and loss attributable to owners of the Company of approximately RMB10.9 million (2021: approximately RMB119.2 million). While the gross loss situation for our traditional plywood products continued to occur in the first few months of 2022, an upward trend in terms of profitability has developed in 2022 and the management believed that the wood operations will soon become profitable after more costs savings measure are implemented.

As reported in the 2021 Annual Report, the operating environments was difficult in 2021, and the gross loss was mainly a combination of effects of:

- (1) The negative operating environments of the Company’s major customers who relied on exports to western countries which were still severely impacted by COVID-19 in 2021;
- (2) The reduction in demands of the Group’s premium quality products which normally have higher profit margins;

- (3) The increase of raw materials and transportation costs; and
- (4) Limited supply against increased demand of wood products resulted in higher purchase cost and overall cost of sales.

The Directors believe that 2022 was a crucial year to prepare the Group for the future. In 2022, the Group has focused on identifying its strengths and at the same time dealing with its weaknesses. The Directors understand clearly that the Group can no longer do business in the same way as it did before the COVID-19. The Group must improve the competitiveness of its products, find new customers and expand its market footprint outside of China, and the Group must also carefully control its costs. Initiatives undertaken so far include:

- (1) In 2022, the Group has started discussions with a new business partners to export its products to the Asian countries, especially Japan. A partnership agreement has been signed and the new business partner is currently assisting the Company to develop new products for the Asian markets.
- (2) In 2022, the Group has also explored opportunities of setting up regional sales offices through its business partners in Southern China where most of its customers are located;
- (3) In 2022, the Group has recruited an experienced consultant to oversee the Group's production and to implement ways to further strengthen the initiative of cost reduction. Initial measures including the building of a more close business network with local farmers and suppliers to stabilize materials costs, the outsource of certain non-core works to local workers to reduce production costs, and the reduction of manpower and salary expenses have already been implemented; and
- (4) In 2022, the Group has shifted its focus to premium customers who have substantial sales network within China and gradually scale down the demands of customers who rely on exporting.

### **Property Activities**

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 6.0 percent of the total revenue for the twelve months ended 31 December 2022.



## FINANCIAL REVIEW

### Review of Results

The consolidated revenue of the Group was approximately RMB57.8 million for the twelve months ended 31 December 2022, representing a decrease of approximately 66.6 percent from approximately RMB172.7 million in 2021.

The consolidated gross loss of the Group for the twelve months ended 31 December 2022 was approximately RMB0.9 million, representing a significant decrease of approximately 98.4 percent from approximately RMB57.1 million in 2021. For the twelve months ended 31 December 2022, the gross loss margin was approximately 1.5 percent compared to approximately 33.0 percent in 2021.

The total selling and administrative expenses were approximately RMB14.2 million for the twelve months ended 31 December 2022, representing a decrease of approximately 21.1 percent from approximately RMB18.0 million in 2021, mainly due to the implementation of more management controls in costs savings and productions.

The consolidated operating loss before tax for the twelve months ended 31 December 2022 decreased to approximately RMB10.8 million as compared to approximately RMB119.1 million in 2021. Such decrease in loss was mainly due to improvements made in profit margins, careful selection of premium clients, other cost control measures in the production process and one-off gain on debt-restructuring of approximately RMB14.8 million.

The Group recorded higher finance costs of approximately RMB5.1 million for the twelve months ended 31 December 2022 as compared to approximately RMB3.7 million in 2021. The increase was mainly due to the higher interest expenses on bank borrowings and third party loans.

The Group's income tax expense for the twelve months ended 31 December 2022 was approximately RMB0.1 million which represents under-provision of tax in prior year.

The loss attributable to owners of the Company was approximately RMB10.9 million for the twelve months ended 31 December 2022 as compared to approximately RMB119.2 million in 2021. Basic loss per share for the twelve months under review was RMB0.8 cents.

## **Foreign currency risk**

As majority of our assets and liabilities are denominated in RMB, except for certain bank balances which are denominated in HKD. The Group had not experienced any material effects on its operation or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or any hedging instrument during the twelve months ended 31 December 2022. The Group will continue to monitor its foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arises.

## **Current assets and liabilities**

As at 31 December 2022, the Group held current assets of approximately RMB82.3 million (31 December 2021: RMB90.7 million), comprising inventories, trade and other receivables and cash and cash equivalents.

Cash and cash equivalents balance as at 31 December 2022 decreased to approximately RMB0.2 million as compared to approximately RMB3.3 million as at 31 December 2021. The major decrease in cash and cash equivalents balance was mainly due to the settlement of payables.

The Group's inventory balance as at 31 December 2022 comprised of raw materials, 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 RMB3.3 million as at 31 December 2022 was mainly due to less raw materials held as a result of more accurate prediction of sales orders coupled with continuing tighter measures to reduce overall inventory holding time and thereby reduce holding costs.

Trade and other receivables balance as at 31 December 2022 mainly represented outstanding receivables balance from customers of our plywood products. There was a decrease in trade and other receivables balance of approximately RMB3.6 million, from approximately RMB82.4 million as at 31 December 2021 to approximately RMB78.8 million as at 31 December 2022.

As at 31 December 2022 the Group's total current liabilities amounted to approximately RMB102.6 million, as compared to approximately RMB130.3 million as at 31 December 2021. The decrease was mainly due to the reduction of borrowings after the completion of debt-restructuring.

## **Non-current assets**

Since 2020, the Group has leased out certain plants and land which are surplus to current and future needs to certain operators under long term lease to generate recurring rental income.

The Group used to operate a plant for the production of biomass wood pellets 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 to an agricultural wholesale operator under long term lease to generate recurring rental income. The Group also has plans to sell this plant or shares of the subsidiary holding the plant in the near term. Since 2021, the Group has also leased out other plants and lands originally used by the plywood productions which are surplus to current and future needs to certain operators under long term lease to generate recurring rental income. Investment properties of approximately RMB65.9 million as at 31 December 2022 represented land use rights and plants of these assets.

As at 31 December 2022, the Group's right-of-use assets and property, plant and equipment amounted to approximately RMB2.8 million and RMB17.6 million respectively.

## **Borrowings**

As at 31 December 2022, the Group's borrowings amounted to approximately RMB35.1 million (2021: RMB62.6 million) in total, comprising approximately RMB8.5 million (2021: RMB25.3 million) bank borrowings, bonds payable of RMB Nil (2021: RMB27.9 million) and approximately RMB26.6 million (2021: RMB9.5 million) other loan in the PRC and Hong Kong.

As at 31 December 2022, the Group had bank borrowings denominated in RMB of approximately RMB8.5 million from banks located in China. 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 2022.

During the twelve months ended 31 December 2022, the Group borrowed several unsecured other loans of RMB2.2 million from two independent third parties to address its short term liquidity needs. Such loans carry interest at the annual rate of 14%.

On 1 June 2021, a wholly-owned subsidiary of the Company entered into a term loan facility agreement with a third party under which the lender agreed to make available a term loan facility (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 (Shandong)**”) and Dasen (Heze) Biomass Energy Limited (“**Dasen (Heze)**”), 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 (Shandong).

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 2022, the Plaintiff did not take enforcement actions on this matter.

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 (Shandong) 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. The PRC management provided necessary inputs to facilitate the sale and the company will continue to discuss with the Zhejiang asset management company to repay the loans by way of disposing the non-core assets of the Group (being the pledged assets of the overdue debts) or to sell minority interests of the subsidiary holding the non-core assets. As at the date of this announcement, the operations of the pledged assets remain as usual.

### **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, 14 February 2022, 20 May 2022, and 30 June 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 Creditors Scheme. The Creditors 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 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; and
- (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 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 Creditors Scheme on or before 27 October 2021 and undertook to vote for the Creditors Scheme, on a pro rata basis based on their claims as admitted by the Scheme Administrators, subject to, among others, the maximum consent fee return, which is equal to 5.0 percent of the aggregate principal amount and interests accrued up to 31 December 2020 on the Bonds held by the relevant consenting creditors. For further details, please refer to the announcement of the Company dated 14 February 2022.

After the completion of the Open Offer in July 2022, the Company has arranged the cash consideration payment of the Creditor Schemes in the third quarter of 2022 and shares consideration payment in the fourth quarter of 2022.

The Company has announced the completion of the Creditors Scheme by way of announcement on 20 January 2023.

### *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 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

Maximum 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 percent of the Company’s issued share capital as at the date of the announcement of the Open Offer (the “**Open Offer Announcement**”); and (b) 37.5 percent of the Company’s issued share capital as enlarged by the issuance of the Offer Shares. As at the date of the Open Offer 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 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.

The circular of the open offer was despatched by the Company on 30 June 2022. The Open Offer was completed in July 2022 and the Company has announced the results by way of announcement on 22 July 2022.

The table below sets out the proposed application and the status of utilisation of the net proceeds from the Open Offer as at 31 December 2022:

	<b>Planned</b> <b><i>RMB’000</i></b>	<b>Utilised net proceeds at 31 December 2022</b> <b><i>RMB’000</i></b>
For the purpose of the implementation of the Scheme	17,189	17,189
General working capital purpose	2,922	2,922
	<u>20,111</u>	<u>20,111</u>

## Security on assets

As at 31 December 2022, certain assets of the Group with an aggregated carrying value of approximately RMB80.6 million were pledged to the bank as security for the loan facility (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 of Assets 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 Unrecorded Pledge of Assets 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 RMB28.2 million and a fair value of approximately RMB17.4 million as at 31 October 2021) have been pledged to a branch of Rural Commercial Bank of Shandong Chengwu (the “**Lender**”) in relation to a Loan Facility provided to 荷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 RMB9.5 million 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 Audit Committee as well as independent external internal control consultant have also concluded that this is a one-off event in the violation of the Group’s internal control procedures and no other violations are found.

As at 31 December 2022, 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 荷澤中眾合市場開發有限公司 to terminate the pledge arrangement agreement upon full repayment of the remaining balance.



## **OUTLOOK**

Year 2022 continues to be a challenging year with the pandemic, global inflation, Sino-US disputes and the Russia-Ukraine war. These combined effects continue to have a huge impact on our clients, leading them to purchase less. Since 2021, the Company has decided to focus on clients with better margins and payment ability and to control our costs. Despite that we have a lower turnover of sales in 2022, our gross margins have greatly improved and we believe that this trend will continue.

In July 2022, the Company has completed the Open Offer with a substantial oversubscription, which greatly improves the financial status of the Group. Upon completion of the Proposed Restructuring in 2022, the Group's borrowings and interest burden are also reduced.

While the disposal of certain non-core assets of the Group were halted by COVID in late 2022, the potential buyers have resumed discussions and good progresses have been made.

In addition, the Company has signed an agreement with a business partner to export its products to Asian markets in July 2022. The partner is now assisting the Company to enhance its existing products to meet with the new customers' demands. Based on the current information available, it is expected that this will provide a new source of revenue for the Group with positive gross profit margin.

Based on initial updates, the Company's auditors are of the view that the measures undertaken and achievements made by the Company in the twelve months ended 31 December 2022 and up to the date of this announcement are positively addressing the underlying issues leading to the disclaimer of opinion in the 2021 annual report, and, barring unforeseeable circumstances beyond its control, the Company is expecting, with further progress made especially in the disposal of certain non-core assets and additional improvements in profit margins, to be on-track for a turnaround and the removal of the audit modification by the time when the next annual report is issued.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2022, 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 twelve months ended 31 December 2022, save as disclosed elsewhere in this announcement, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

### ***Future plans for material investments or capital assets***

There were no future plans for material investments or capital assets up to the date of this announcement.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group has 55 employees in Hong Kong and the PRC as at 31 December 2022. 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 the PRC.

## **DIVIDENDS AND DISTRIBUTION**

The Board did not declare an interim dividend to shareholders for the twelve months ended 31 December 2022 (2021: Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the twelve months ended 31 December 2022, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial information for the twelve months ended 31 December 2022 and has held one meeting during the period under review.

## **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 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the twelve months ended 31 December 2022.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2022 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board  
**Da Sen Holdings Group Limited**  
**Sun Yongtao**

*Non-Executive Chairman and Non-Executive Director*

Hong Kong, 28 February 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.*