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

2022
INTERIM REPORT

CONTENT PAGE

In case of any inconsistency between the English version and the Chinese version of this interim report, the English version shall prevail.

DEFINITIONS

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China
"Company"	Da Sen Holdings Group Limited
"Director(s)"	the director(s) of the Company
"Group", "our Group", "we", "us" or "our"	the Company and its subsidiaries or, where the context so requires in respect of the period before the Company became the holding company of the present subsidiaries, the present subsidiaries of the Company and the business carried on by such subsidiaries or (as the case may be) their predecessors
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company, with a nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

BOARD

Mr. ZHANG Ayang	*(Executive Director) (Duties suspended)*
Mr. WONG Ben	*(Executive Director)*
Mr. CHAI Kaw Sing	*(Executive Director)*
Mr. WONG Wai Keung Frederick	*(Executive Director) (Resigned on 24 January 2022)*
Mr. SUN Yongtao	*(Executive Director, redesignated as Chairman and Non-executive Director on 16 March 2022)*
Ms. LO Yuk Yee	*(Independent non-executive Director)*
Mr. KWOK Yiu Tong	*(Independent non-executive Director) (Appointed on 22 March 2022)*
Mr. CHAN Shiu Yuen Sammy	*(Independent non-executive Director) (Appointed on 5 August 2022)*
Mr. TSO Siu Lun Alan	*(Independent non-executive Director) (Resigned on 5 September 2022)*
Mr. LO Kam Cheung Patrick	*(Independent non-executive Director) (Resigned on 4 March 2022)*

COMPANY SECRETARY

Mr. LEUNG Wing Lun *(HKICPA)*

AUDIT COMMITTEE

Mr. CHAN Shiu Yuen Sammy	*(Chairman) (Appointed on 5 August 2022)*
Mr. KWOK Yiu Tong	*(Appointed on 22 March 2022) (Chairman between 22 March 2022 and 5 August 2022)*
Ms. LO Yuk Yee	
Mr. SUN Yongtao	*(Appointed on 16 March 2022)*
Mr. TSO Siu Lun Alan	*(Resigned on 5 September 2022)*
Mr. LO Kam Cheung Patrick	*(Chairman) (Resigned on 4 March 2022)*

REMUNERATION COMMITTEE

Ms. LO Yuk Yee	*(Chairman)*
Mr. CHAN Shiu Yuen Sammy	*(Appointed on 5 September 2022)*
Mr. SUN Yongtao	
Mr. TSO Siu Lun Alan	*(Resigned on 5 September 2022)*

NOMINATION COMMITTEE

Mr. SUN Yongtao	*(Chairman) (Appointed on 16 March 2022)*
Mr. CHAN Shiu Yuen Sammy	*(Appointed on 5 September 2022)*
Mr. LO Kam Cheung Patrick	*(Resigned on 4 March 2022)*
Mr. TSO Siu Lun Alan	*(Resigned on 5 September 2022)*
Ms. LO Yuk Yee	

RISK MANAGEMENT COMMITTEE

Mr. CHAI Kaw Sing	*(Chairman) (Appointed on 24 January 2022)*
Mr. ZHANG Ayang	*(Chairman) (Removed on 24 January 2022)*
Mr. CHAN Shiu Yuen Sammy	*(Appointed on 5 September 2022)*
Mr. SUN Yongtao	
Mr. WONG Wai Keung Frederick	*(Resigned on 24 January 2022)*
Mr. TSO Siu Lun Alan	*(Appointed on 24 January 2022) (Resigned on 5 September 2022)*

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Mr. WONG Ben
Mr. LEUNG Wing Lun *(HKICPA)*

EXTERNAL AUDITOR

Confucius International CPA Limited
Room 1501-08, 15/F., Tai Yau Building,
181 Johnston Road, Wanchai,
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2703, 27th Floor,
K. Wah Centre,
No. 191 Java Road,
North Point, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

Economic Development Zone
Sunsi Town, Chengwu
Shandong, Mainland China

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
No. 183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

1580

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 report, 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 forth 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 report:	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:

	Planned	Utilised net proceeds at 31 December 2022
	RMB'000	RMB'000
For the purpose of the implementation of the Scheme	17,189	17,189
General working capital purpose	2,922	2,922
	20,111	20,111

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 菏澤中眾合市場開發有限公司 (an Independent Third Party established in the PRC, the "Borrower") by the Lender, without the knowledge and prior approval of the Board. Based on the preliminary findings of the Audit Committee, it transpired that the pledge of the Pledged Assets was an attempt by the management of a subsidiary of the Group to obtain financing indirectly from the Lender through the Borrower in order to renew a defaulted bank loan of the same financial institution (i.e. the Lender). Based on the current information available to the Board, the Borrower has drawn down a total amount of RMB9.5 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 菏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 report 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 report, 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 report.

COMPLIANCE

The Company has applied the principles and complied with the applicable code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") throughout the twelve months ended 31 December 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the standards set out in the Model Code throughout the twelve months ended 31 December 2022.

REVIEW BY THE 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 Audit Committee consists of one non-executive director: Mr. SUN Yongtao; and three independent non-executive Directors: Mr. CHAN Shiu Yuen Sammy, Ms. LO Yuk Yee and Mr. KWOK Yiu Tong. Mr. CHAN Shiu Yuen Sammy served as the chairman of the Audit Committee. The interim results of the Company for the twelve months ended 31 December 2022 have been reviewed by the Audit Committee.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executive in the share capital and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in Shares:

	Number of Shares held, capacity and nature of interest			
Name of Director	Directly beneficially owned	Through spouse or minor children	Total	Percentage of the Company's share capital
Mr. CHAI Kaw Sing	94,123,045	26,080,000	120,203,045	7.43%
Mr. ZHANG Ayang *(Note 1)*	—	107,844,800	107,844,800	6.66%

Note:

1. Mr. ZHANG Ayang is the spouse of Ms. WU Haiyan and he is deemed to be interested in these Shares under the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2022, the following interests and short positions of 5% or more of the share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

	Number of Shares held, capacity and nature of interest			
Name	Directly beneficially owned	Interests in persons acting in concert *(Note 1)*	Total	Percentage of the Company's share capital
Mr. Wong Tseng Hon	864,686,442	–	864,686,442	53.43%
***Concert Group** (Note 1)*				
Ms. Wu Haiyan *(Note 2)*	47,539,200	60,305,600	107,844,800	6.66%
Mr. Wang Songmao	40,465,600	67,379,200	107,844,800	6.66%
Mr. Wu Shican	19,680,000	88,164,800	107,844,800	6.66%
Mr. Lin Qingxiong	160,000	107,684,800	107,844,800	6.66%

Note:

1. Pursuant to the Concert Party Agreement, Ms. Wu Haiyan, Mr. Wang Songmao, Mr. Wu Shican and Mr. LIN Qinqxiong have agreed on certain arrangements pertaining to their shareholdings in the Company. Pursuant to the SFO, since each of Ms. Wu Haiyan, Mr. Wang Songmao, Mr. Wu Shican and Mr. LIN Qinqxiong is a party to the Concert Party Agreement, each of Ms. Wu Haiyan, Mr. Wang Songmao, Mr. Wu Shican and Mr. LIN Qinqxiong is deemed to be interested in the Shares which the other parties to the Concert Party Agreement are interested in.

2. Mr. Zhang Ayang is the spouse of Ms. Wu Haiyan and he is deemed to be interested in these Shares under the SFO.

EMOLUMENT POLICY

The Group had 55 employees in Hong Kong and the PRC as at 31 December 2022. The total salaries and related costs granted to employees amounted to approximately RMB3.6 million for the twelve months ended 31 December 2022.

The Group's remuneration policy, bonus and share option scheme determines benefits of employees (including Directors) based on the duties and performance of each individuals. 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include the Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Shareholders, and any non-controlling shareholder in the Company's subsidiaries.

At no time during the twelve months ended 31 December 2022 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

As at 31 December 2021 and 31 December 2022, the Company did not have share options outstanding under the Option Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the twelve months ended 31 December 2022.

DIVIDENDS

The Board resolved not to declare any interim dividend for the twelve months ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in RMB and incurs costs in RMB and HK$. The Group is exposed to foreign exchange risk based on fluctuations between RMB and HK$ arising from its core operation in the PRC. In order to minimise the foreign currency risk exposure between these two currencies, the Group generally maintains cash balances in both currencies that are sufficient to meet three to four months of operating cash flows requirements of the Group.

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 Reporting Period. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

By order of the Board

Da Sen Holdings Group Limited
Sun Yongtao
Non-Executive Chairman
and Non-Executive Director

Hong Kong, 28 February 2023

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

For the twelve months ended 31 December 2022

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2022

	Notes	31 December 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
ASSETS			
Non-current assets			
Right-of-use assets	12	**2,770**	7,352
Property, plant and equipment	13	**17,645**	37,425
Investment properties	14	**65,935**	45,160
		86,350	89,937
Current assets			
Inventories		**3,342**	5,116
Trade and other receivables	15	**78,793**	82,373
Cash and cash equivalents		**156**	3,259
		82,291	90,748
Total assets		**168,641**	180,685
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**14,165**	8,592
Share premium	16	**233,473**	212,502
Other reserves		**52,942**	52,942
Accumulated losses		**(234,802)**	(223,916)
		65,778	50,120
LIABILITIES			
Non-current liability			
Deferred income		**242**	267
Current liabilities			
Trade and other payables	17	**48,241**	53,983
Deferred income		**25**	25
Receipt in advance		**4,621**	240
Tax payables		**7,168**	7,168
Amount due to related parties		**7,484**	6,235
Borrowings	18	**35,082**	62,647
		102,621	130,298
Total liabilities		**102,863**	130,565
Total equity and liabilities		**168,641**	180,685

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)	**8,592**	**212,502**	**52,942**	**(223,916)**	**50,120**
Loss and total comprehensive expenses for the period (unaudited)	**–**	**–**	**–**	**(10,886)**	**(10,886)**
Issue of shares from open offer (unaudited)	**5,028**	**15,083**	**–**	**–**	**20,111**
Issue of shares from scheme arrangement (unaudited)	**545**	**5,888**	**–**	**–**	**6,433**
At 31 December 2022 (unaudited)	**14,165**	**233,473**	**52,942**	**(234,802)**	**65,778**

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

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.

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.

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

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

6. FINANCIAL INSTRUMENTS – *continued*

6.2 Credit risk – *continued*

(ii) Impairment of financial assets – *continued*

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.

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.

6. FINANCIAL INSTRUMENTS – *continued*

6.2 Credit risk – *continued*

(ii) Impairment of financial assets – *continued*

Trade receivables – continued

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				
	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	Total RMB'000
At 31 December 2022					
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	166	373	2,365	106,536	109,440

	Audited				
	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	Total RMB'000
At 31 December 2021					
Expected credit loss rate	1.08%	3.25%	6.54%	52.60%	6.98%
Gross carrying amount	34,991	20,741	14,730	6,368	76,830
Expected credit loss allowance	377	673	964	3,349	5,363
Individually impaired receivables	–	–	–	99,219	99,219
Total expected credit loss allowance	377	673	964	102,568	104,582

6. FINANCIAL INSTRUMENTS – *continued*

6.2 Credit risk – *continued*

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

Trade receivables – continued

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
Opening expected credit loss allowance at 1 January 2021 (audited)	81,953
Provision for allowance for expected credit losses, net (audited)	22,629
Closing expected credit loss allowance at 31 December 2021 (audited)	104,582
Provision for allowance for expected credit losses, net (unaudited)	4,858
Closing expected credit loss allowance at 31 December 2022 (unaudited)	109,440

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.

6. FINANCIAL INSTRUMENTS – *continued*

6.2 Credit risk – *continued*

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

Other receivables at amortised cost – continued

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

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					
	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	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
		93,353	–	–	93,353	90,807

	Audited					
	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
		125,026	–	–	125,026	120,797

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.

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

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

7. REVENUE AND SEGMENT INFORMATION – *continued*

	Unaudited			
	Plywood RMB'000	Leasing activities RMB'000	Unallocated RMB'000	Group RMB'000
Other segment items				
Income statement items:				
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

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

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

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

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

7. REVENUE AND SEGMENT INFORMATION – *continued*

	Audited			
	Plywood RMB'000	Lease activities RMB'000	Unallocated RMB'000	Total RMB'000
Other segment items				
Income statement items:				
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
Other items:				
Additions to non-current assets	110	–	–	110

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

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

8. LOSS BEFORE TAX

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

	Twelve months ended 31 December	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Staff costs, including directors' emoluments and related retirement benefits scheme contributions	3,617	8,664
Auditor's remuneration	–	880
Cost of inventories recognised as expense	58,618	217,312
Depreciation on property, plant and equipment	895	2,406
Impairment loss on property, plant and equipment	–	15,019
Depreciation on investment properties	2,624	1,541
Impairment loss on investment properties	–	933
Depreciation on right-of-use assets	68	256
Impairment loss on right-of-use assets	–	2,971
Write off of other receivables	–	105
Gain on debt-restructuring	(14,755)	–

	2022	2021
	RMB'000	RMB'000
Gross rental income from investment properties	(3,485)	(2,200)
Less: Direct operating expenses from investment properties that generated rental Income during the year	12	14
	(3,473)	(2,186)

9. INCOME TAX EXPENSE

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

(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	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Loss attributable to the owners of the Company	**(10,886)**	(119,151)
		(unaudited)
		(restated)
Weighted average number of ordinary shares in issue (thousands)	**(1,428,009)**	(1,299,200)
Basic loss per share (RMB cents per share)	**(0.76)**	(9.17)

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	**(109,440)**	(104,582)
	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	**(11,505)**	(11,505)
	78,793	82,373

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 RMB'000 (unaudited)	31 December 2021 RMB'000 (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
	63,551	71,650

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

		Amount		
	Number of ordinary shares '000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
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	1,618,255	14,165	233,473	247,638

17. TRADE AND OTHER PAYABLES

	As at	
	31 December 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (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
	48,241	53,983

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 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 3 months	28	335

18. BORROWINGS

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

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 RMB'000 (unaudited)	31 December 2021 RMB'000 (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
	80,596	83,945

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	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Salaries and bonus	**1,738**	1,804
Pension, housing fund, medical insurance and others	**–**	–
	1,738	1,804

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.