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

DASEN

ANNUAL REPORT

2021

CONTENT PAGE

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

DEFINITIONS

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

"Board"	the board of Directors
"China", "Mainland China" or "PRC"	the People's Republic of China
"Company"	Da Sen Holdings Group Limited
"Da Sen Heze Advanced Materials Technology"	Da Sen Heze Advanced Materials Technology Company Limited（菏澤大森新型材料科技有限公司）, a company established in the PRC on 1 November 2017, and is the Company's indirect wholly-owned subsidiary
"Dasen (Heze)"	Dasen (Heze) Biomass Energy Limited（大森（菏澤）生物質能源有限公司）, a company established in the PRC on 1 November 2012, and is the Company's indirect wholly-owned subsidiary
"Dasen (HK)"	Dasen (Hong Kong) Holdings Company Limited（大森（香港）控股有限公司）, a company incorporated in Hong Kong on 5 July 2012, and is the Company's indirect wholly-owned subsidiary
"Da Sen Inv (HK)"	Da Sen Investment (Hong Kong) Co., Limited（大森投資（香港）有限公司）, a company incorporated in Hong Kong on 13 August 2020, and is the Company's indirect wholly-owned subsidiary;
"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
"Heroic Group"	Heroic Group Limited（雄英集團有限公司）, a company incorporated in the British Virgin Islands on 11 November 2013 and is the Company's direct wholly-owned subsidiary
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Main Board"	the stock market operated by the Stock Exchange, which excludes the GEM of the Stock Exchange and the options market
"Mei Sem (HK)"	Mei Sem (Hong Kong) Holding Co., Limited (美森(香港)控股有限公司), a company incorporated in Hong Kong on 31 December 2010 and is the Company's indirect wholly-owned subsidiary
"Meisen (Shandong)"	Meisen (Shandong) Wood Limited (美森(山東)木業有限公司), a company established in the PRC on 19 April 2004 and is the Company's indirect wholly-owned subsidiary
"Prospectus"	prospectus of the Company dated 7 December 2016
"RMB"	Renminbi Yuan, the lawful currency of Mainland China
"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$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of United States of America

CORPORATE INFORMATION

BOARD

Mr. WONG Ben	*(Executive Director)*
Mr. CHAI Kaw Sing	*(Executive Director)*
Mr. ZHANG Ayang	*(Executive Director)* (Duties suspended)
Mr. SUN Yongtao	*(Non-executive Director)* (Redesignated as non-executive Director and non-executive Chairman with effect from 16 March 2022)
Mr. KWOK Yiu Tong	*(Independent non-executive Director)* (Appointed on 22 March 2022)
Ms. LO Yuk Yee	*(Independent non-executive Director)*
Mr. TSO Siu Lun Alan	*(Independent non-executive Director)*
Mr. WONG Wai Keung Frederick	*(Executive Director)* (Resigned on 24 January 2022)
Mr. KWOK Wai Ching Harrison	*(Independent non-executive Director)* (Resigned on 19 May 2021)
Mr. LO Kam Cheung Patrick	*(Independent non-executive Director)* (Appointed on 19 May 2021 and resigned on 4 March 2022)

COMPANY SECRETARY

Mr. LEUNG Wing Lun *(HKICPA)*

AUDIT COMMITTEE

Mr. KWOK Yiu Tong *(Chairman)*
Ms. LO Yuk Yee
Mr. SUN Yongtao
Mr. TSO Siu Lun Alan

REMUNERATION COMMITTEE

Ms. LO Yuk Yee *(Chairman)*
Mr. SUN Yongtao
Mr. TSO Siu Lun Alan

NOMINATION COMMITTEE

Mr. SUN Yongtao *(Chairman)*
Mr. TSO Siu Lun Alan
Ms. LO Yuk Yee

RISK MANAGEMENT COMMITTEE

Mr. CHAI Kaw Sing *(Chairman)*
Mr. SUN Yongtao
Mr. TSO Siu Lun Alan

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

STATEMENT FROM THE CHAIRMAN

Dear Shareholders,

2021 is another challenging year for the Group as the world continues to struggle with the pandemic. On one hand, we have managed to maintain a normal operations with our customers despite of all the difficulties encountered with COVID-19 variants, including Delta and Omicron, leading to social restrictions and/or lockdown in many parts of the world and in China. On the other hand, we are still suffering from the effects of COVID-19 which impacted the pricings of our products and prohibited us from selling at normal profit margins to customers who rely on exports to the Western countries.

In 2021, our focus is to prepare the Group for the future. We have focused on identifying our strengths and at the same time dealing with our weaknesses. We understand clearly that we can no longer do business in the same way as we did before the pandemic. We must improve the competitiveness of our products and find new customers, and we must also carefully control our costs. We understand the concerns of our stakeholders and our management team has been working very hard to address these challenges.

In 2021, we have reduced our losses and we strongly believe this trend will continue in 2022. We have also completed significant milestones in terms of restructuring our debts and our business and we have every reason to believe our liquidity will be greatly improved after completion of the remaining steps of the proposed restructuring and disposal of our non-core assets.

In 2021, we have started discussions with new business partners to export our products to Asian countries, especially Japan. We have also explored opportunities of setting up regional sales offices through our business partners in Southern China where most of our customers are located. Most of these are in the final stages and we will inform our shareholders and stakeholders once they have been finalised. We expect a brighter future when all our hard efforts are put into place.

Looking forward to 2022 and beyond, we will explore environmental friendly solutions to reduce our wastes and we will take more effective measures to manage our assets in Heze Shandong. All these will become the foundations for transitioning the Group into a more modern day manufacturing and production group.

On behalf of De Sen Holdings Group Limited, I sincerely thank our shareholders and stakeholders for their continued support to the Group over the years. I would also like to express my heartfelt gratitude to our management team and all staff in Hong Kong and China for all their hard work and efforts in 2021 and look forward to their continuing contributions and support in our initiative to turn the Group around.

Sun Yongtao
Non-Executive Chairman and Non-Executive Director

NON-EXECUTIVE CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. SUN Yongtao（孫湧濤）, aged 65, is the non-executive chairman and non-executive Director. Mr. Sun joined the Group in May 2020 as an independent non-executive Director, redesignated as the executive Director on 26 November 2020 and redesignated as the non-executive Chairman and non-executive Director on 16 March 2022. Mr. SUN has over 30 years of experience in finance and accounting.

Mr. Sun is a senior accountant accredited by Guangdong Senior Title Evaluation Committee（廣東省高級職稱評審委員會）under Department of Finance of Guangdong Province, the PRC. Mr. SUN obtained his master degree in economics from Nankai University in 1986. From July 1993 to January 1996, he was a director and general manager of finance department of Shum Yip Investment Limited (now known as Shenzhen Investment Limited), a company listed on the Main Board of the Stock Exchange (stock code: 00604). From January 1996 to February 2002, he served as the financial controller, the deputy general manager (general affairs) and a director of Hengli Weaving (Holdings) Limited（香港恒力紡織（集團）有限公司）. Mr. SUN was the deputy general manager and the financial controller of Daya Bay Nuclear Power Finance Corporation, Ltd.（大亞灣核電財務有限責任公司）from February 2002 to November 2004. Mr. SUN was the chief accountant of Travelsky Technology Limited ("Travelsky"), a company listed on the Main Board of the Stock Exchange (stock code: 0696) from November 2004 to August 2017, and was a non-executive director of Travelsky from January 2007 to March 2009.

Mr. Sun is responsible for the financial management and reporting and internal control matters of the Group's operation in PRC.

EXECUTIVE DIRECTORS

Mr. CHAI Kaw Sing（蔡高昇）, aged 46, is the executive Director. Mr. Chai joined the Group in July 2019 as an executive Director. Mr. Chai has extensive experience in general management, financing arrangement and brokering services for stocks and foreign exchange products. Mr. Chai founded Blackwell Global Group (including Blackwell Global Investments Limited and its subsidiaries), a global financial and brokerage service provider, in 2010 and has been its chairman since then. Mr. Chai has been the majority shareholder and director of Blackwell Global Holdings Limited, a company listed on the Main Board of New Zealand's Exchange (stock code: BGI: NZ) since June 2017.

Mr. Chai obtained his degree in economics from National Cheng Chi University in 2000.

Mr. Chai is also a director of Mei Sum (HK), Dasen (HK) and Heroic Group.

Mr. Chai is responsible for the business development of the Group.

Mr. WONG Ben（黃子斌）, aged 43, is the executive Director. Mr. Wong joined the Group in July 2019 as an executive Director. Mr. Wong has extensive experience in project investment and management. Mr. Wong has been working as a manager in a privately owned company in Hong Kong responsible for daily operation and exploring investment opportunities in different projects since January 2008. Prior to that, Mr. Wong worked in Stottler Henke as an AI software engineer from April 2005 to August 2007 where Mr. Wong was mainly responsible for software development, including writing proposals to clients, designing and implementing software.

Mr. Wong obtained his bachelor of Arts from Cornell University in 2001 and his master of science from Stanford University in 2004. Mr. Wong also obtained the professional certificate in business management from The Open University of Hong Kong in November 2011.

Mr. Wong is also a director of Mei Sum (HK), Dasen (HK), Da Sen Inv (HK) and Heroic Group.

Mr. Wong is the son of Mr. Wong Tseng Hon, a substantial shareholder of the Company.

Mr. Wong is responsible for the management of the Group's office in Hong Kong and also the Group's information technology system.

Mr. ZHANG Ayang(張啊阳), aged 46, is the executive Director responsible for sales and marketing strategy and overseeing the sales of the Group. Mr. Zhang joined the Group in December 2010 as the head of sales department. Mr. Zhang was promoted as the general manager of Dasen (Heze) in November 2014. Since November 2008, Mr. Zhang has been working at Jinjiang Qing Yang Xin Yi Material Trading Company(晉江市青陽信億建材商行), engaging in the wholesaling and retailing of wooden board, light steel keel and fireproof material.

Mr. Zhang is also a director of Meisen (Shandong), Dasen (Heze) and Heroic Group and a supervisor of Da Sen Heze Advanced Materials Technology.

Mr. Zhang is responsible for sales and marketing strategy and overseeing the operations of the Group's subsidiaries in PRC. His duties and powers as an executive Director has been suspended by the Board from 15 December 2021 until further notice.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWOK Yiu Tong(郭耀堂), aged 64, is an independent non-executive Director. Mr. KWOK joined the Group in March 2022 as an independent non-executive Director. Mr. KWOK has over 40 years of experience in financial management field, mainly gained from reputable multi-national corporations. Mr. Kwok was the finance manager of Hyatt Regency Hong Kong from 1978 to 1989. Mr. Kwok was also the deputy CFO of Harvest International Hotel Ltd., Beijing Taiwan Hotel, and Shenzhen Century Hotel respectively from 1989 to 1998. Mr. KWOK is currently the CFO of a Shenzhen property developer. Mr. KWOK is familiar with the Hong Kong and China accounting standards as well as internal control of multi-national corporations.

Ms. LO Yuk Yee(勞玉儀), aged 62, is an independent non-executive Director. Ms. LO joined the Group in November 2020 as an independent non-executive Director. Ms. LO has over 25 years of experience in the banking, insurance, finance and investment fields. Ms. LO was the chairman and chief executive officer of MAXX Bioscience Holdings Limited (now known as China Grand Pharmaceutical and Healthcare Holding Limited), a company listed on the Main Board of the Stock Exchange (stock code: 512) from 2002 to 2006. Ms. LO is also the founder of MAXX Capital Finance Limited, a company primarily engaged in providing commercial finance and structured finance advice, and has been the chief executive officer since its incorporation in 1999. Ms. LO is currently the chairman, executive director and controlling shareholder of Finet Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8317).

Ms. LO obtained a diploma in business administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1981.

Mr. TSO Siu Lun Alan, aged 38, is an independent non-executive Director. Mr. TSO joined the group in May 2020 as an independent non-executive Director. Mr. TSO is currently an independent non-executive director of Shi Shi Services Limited, a company listed on the GEM of the Stock Exchange (stock code: 8181), an independent non-executive director of OCI International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0329), and a responsible officer at Fenghua Asset Management Limited (CE No. BKV973), a company holding Type 4 and Type 9 licences from the Securities and Futures Commission for carrying out the regulated activities of advising on securities and asset management. Mr. TSO is the founder and director of China Mini Storage Limited ("CMS"), a company primarily engaged in the self storage business in PRC. Prior to establishing CMS, Mr. TSO worked as an investment director at the Everbright Ashmore China Real Estate Fund, a joint venture offshore real estate fund sponsored by the China Everbright Limited (stock code: 0165), a company listed on the Main Board of the Stock Exchange and the Ashmore Group plc, a company listed on the Main Market of the London Stock Exchange (stock code: ASHM), from 2008 to 2012. Previously, Mr. TSO also worked at Merrill Lynch's Global Commercial Real Estate team from 2006 to 2007, where he was principally involved in investing activities in Asian real estate. Mr. TSO also worked at the HSBC's Global Capital Markets – ABS & Structured Bonds Team from 2005 to 2006 where he was principally involved in the bank's securitisation business.

Mr. TSO graduated from University of Cambridge with a bachelor's degree in land economy, majoring in real estate finance and property law.

SENIOR MANAGEMENT

Mr. LEUNG Wing Lun (梁穎麟), aged 40, has been the company secretary of the Group since April 2019 and is responsible for the secretarial matters of the Group. Mr. Leung has over 15 years of experience in providing professional corporate services and is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Leung worked in Hop Fung Group Holdings Limited (stock code: 2320) from July 2004 to August 2005. He served in the Inland Revenue Department as contract assistant taxation officer in Hong Kong from September 2005 to March 2006. From March 2006 to July 2011, Mr. Leung worked as tax consultant at Thomas Lee & Partners Limited. In November 2010, Mr. Leung founded Superior Alliance Group Company Limited which provides professional corporate services. He has been acting as the director of Superior Alliance Group Company Limited since its establishment. Mr. Leung obtained a bachelor's degree in business administration majoring in accounting from the City University of Hong Kong in 2004.

Mr. Leung is currently the company secretary of Maike Tube Industry Holdings Limited (stock code: 1553) since April 2019 and has been the company secretary of Hang Yick Holdings Company Limited (stock code:1894) from May 2018 to March 2021.

During the year ended 31 December 2021, Mr. Leung has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Plywood Products

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

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

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

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

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

Rental Income

Since 1 July 2020, the Group has entered into lease agreements to partially lease out the biomass wood pellets factories to a tenant engaging in agricultural wholesale as well as other factories and land which are surplus to needs in order to generate a stable and recurring rental income, and at the same time reducing the costs in managing these assets. The rental income of the Group accounted for approximately 1% of the total revenue for the year ended 31 December 2021.

FINANCIAL REVIEW

Review of Results

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

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

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

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

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

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

Gearing Ratio

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

Foreign currency risk

As majority of our assets and liabilities are denominated in RMB, except for certain bank balances which are denominated in USD and 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 year ended 31 December 2021. 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 2021, the Group held current assets of approximately RMB91 million (2020: RMB164 million), mainly comprising inventories, cash and cash equivalent, and trade and other receivables.

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

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

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

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

Non-current assets

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

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

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

Borrowings

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

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

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

On 28 June 2021, the Company was being notified by Meisen (Shandong) and 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). The orders sought by the Plaintiff against the Defending Subsidiaries are as follows: (1) a liquidated sum of RMB7,450,896.75 as the aggregate unpaid principal amount; (2) interest, penalty and compound interest on the sum in (1) above (the interest amount up to 4 June 2021 claimed by the Plaintiff is RMB23,988.24); (3) costs of the action of claim by the Plaintiff; and (4) further and/or other relief.

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

Note: On 12 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 auction the overdue debts of Dasen (Heze) as its standard practice. The local PRC management has not received any written information or further update on this matter as of the date of this report.

Proposed debt restructuring

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

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

Scheme of Arrangement

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

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

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

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

As part of the Scheme to solicit support and entice the Scheme Creditors, the Company will also issue and allot Consent Fee Shares of up to 16,398,159 new Shares under the General Mandate to those Scheme Creditors, who entered into the restructuring support agreement in relation to the Scheme on or before 27 October 2021 and undertook to vote for the Scheme, on a pro rata basis based on their claims as admitted by the Scheme Administrators, subject to, among others, the maximum consent fee return, which is equal to 5.0% 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.

Open Offer

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

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

Issue Statistics

Basis of the Amended Open Offer:	Three (3) Offer Shares for every five (5) existing Shares held on the Record Date
Number of Shares in issue as at the date of this announcement:	974,400,000 Shares
Offer Price:	HK$0.04 per Offer Share
Number of Offer Shares:	584,640,000 Offer Shares
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% of the Company's issued share capital as at the date of this announcement; and (b) 37.5% of the Company's issued share capital as enlarged by the issuance of the Offer Shares. As at the date of this report, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

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

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

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

Income tax

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

Security on assets

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

Reference is made to the announcements of the Company dated 25 November 2021, 10 December 2021 and 4 January 2022 in relation to the discovery of the unrecorded pledge of assets (the "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 RMB28.18 million and a fair value of approximately RMB17.35 million as at 31 October 2021) have been pledged to a branch of Rural Commercial Bank of Shandong Chengwu (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 RMB9,500,000 under the Loan Facility for its own use. The entire sum of which had been subsequently provided to another subsidiary of the Company by way of loan between June 2021 and September 2021 before the terms of the renewal of the Meisen (Shandong) defaulted loan was agreed with the Lender.

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

The 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 Groups' internal control procedures and no other violations are found.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

AUDIT OPINION MODIFICATION

Confucius International CPA Limited, the auditor of the Company issued a disclaimer of opinion with multiple uncertainties relating to going concern on the consolidated financial statements of the Group for the year ended 31 December 2021. The independent auditor's report is set out on pages 46 to 48 of this report.

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

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

The Scheme

As part of the Proposed Restructuring, the Group intends to restructure its debts by way of implementing the Scheme. The Scheme will be implemented in accordance with the terms as approved by the High Court and the Scheme Creditors to compromise all the Company's liabilities relating to the Bonds. On 9 December 2021, the Scheme was approved by the requisite majorities of the Scheme Creditors at the Scheme Meeting and was subsequently sanctioned without modification by the High Court at the sanction hearing held on 11 January 2022.

The Open Offer

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

Potential Disposal of Certain Assets of the Group

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

Financial Support from Major Shareholders

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

New Business Initiatives

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

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

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

ADDITIONAL DETAILS RELATING TO THE PROVISIONS FOR IMPAIRMENT

(I) Financial Assets

For the year ended 31 December 2021, the Company recognized a provision for allowance for expected credit losses of trade receivables of RMB104.6 million due to the recoverability of outstanding receivables from the Group's downstream customers, an increase of RMB 22.6 million from the year ended 31 December 2020.

During the course of preparing for the 2021 annual results, the Management conducted an impairment assessment together with Peak Vision Appraisals Limited, an independent firm of valuer (the "Valuer") on the trade receivables of the Group's customers. The Management considered indicators such as the debtor failing to agree with the Company as to a viable repayment plan, and any failure by the debtor in meeting its contractual repayment obligations within its credit period. Certain provisions for impairment on trade receivables were made by the Management as it cannot reasonably expect those receivables to be recoverable based on the expected credit loss analysis.

The Company has monitored its working capital on an on-going basis to minimise potential credit risks. Regular evaluation of its trade receivables with ad hoc and regular contacts with its customers at least on a monthly basis were also conducted by the Management to make collective assessments on the recoverability of receivables based on information available, historical settlement records and their past experiences. As part of its assessment, the Group's executive Director, Mr. Zhang Ayang together with the finance team in the PRC will conduct regular credit evaluations of its debtors' financial condition to predict the expected recoverability and timing for collection of the outstanding balances and will follow up on all aged outstanding balances. If the Management believes that there are material credit risks inherent in any outstanding balance of receivables, the Company may take appropriate legal actions to recover such outstanding balances as circumstances warrant so.

In arriving at the provision amount for impairment of trade receivables, the Management together with its Valuer assessed the expected credit losses for grouped trade receivables based on shared credit risk characteristics, the amount of days past due and the expected time required for collection. The expected loss rates were considered based on the payment profiles of customers and the corresponding historical credit losses experienced within this reporting period. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Management also considered the business, financial or economic conditions, performance and behaviour of customers, and adjusted the historical loss rates based on expected changes in these factors accordingly. The Management has also considered the probability of default ("PD") and potential loss given default ("LGD") in its analysis. In assessing the expected loss rate, the Group calculated the PD and LGD for each class of accounts receivables by incorporating forward-looking adjustments.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2021and 2020 are set out in Notes 4, 6 and 21 to the consolidated financial statements.

The Board, having considered the characteristics and profile of the Group's customers which have remained relatively the same in previous years, concluded that the basis of assessment adopted for the year ended 31 December 2021 (being the basis which has been adopted and applied consistently by the Group in previous years) is appropriate.

(II) Property, plant and equipment

For the year ended 31 December 2021, the Company recognised an impairment charge on property, plant and equipment of RMB15 million with reference to the valuations performed by Valuer by measuring the value in use of the cash generating unit operated by the Group.

The Valuer estimated the value in use of the Group's assets by estimating the future cash inflows and outflows to be derived from continuing use of the assets and from its ultimate disposal; and applying the discount to those future cash flows.

Accordingly, the estimation of value in use focuses on the economic benefits generated by the income producing capability of the Group's plywood business.

Details of impairment assessment of property, plant and equipment for the years ended 31 December 2021 and 2020 are set out in Note 18 to the consolidated financial statements.

The Board concluded that the basis of assessment adopted for the year ended 31 December 2021 which was consistent with the basis adopted for the 2020 year is appropriate.

(III) Investment Properties

For the year ended 31 December 2021, the Company recognised an impairment charge on investment properties of RMB0.9 million with reference to the valuations performed by the Valuer.

In valuing the investment properties of the Group, the Valuer has adopted the Investment Method by taking into account the current rents passing the reversionary income potential of the properties or, where appreciate, the Direct Comparison Method assuming the properties are capable of being sold in their existing states and by making reference to comparable sales evidence as available in the relevant markets.

In arriving at the apportionment of the reported value between the land element and the improvements as at the Valuation Date for each of the properties, the Valuer has made assessment of the value of the land element for existing use, and deducted this from the value of the whole property to arrive at the apportioned value for the improvements.

Details of impairment assessment of investment properties for the years ended 31 December 2021 and 2020 are set out in Note 19 to the consolidated financial statements.

The Board concluded that the basis of assessment adopted for the year ended 31 December 2021 which was consistent with the basis adopted for the 2020 year is appropriate.

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 34 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, financial key performance indicators, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, these can be found in the *Management Discussion and Analysis* section set out on pages 10 to 22 and the audited consolidated financial statements set out on pages 49 to 127 of this annual report. This discussion forms part of this annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2021 and the Group's consolidated statement of financial position at that date are set out in the consolidated financial statements on pages 49 to 51 of this annual report.

The Directors do not recommend the payment of any dividends for the year ended 31 December 2021 (2020: Nil).

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING ("IPO")

The Directors would like to provide information regarding the detailed breakdown and description of the actual use of net proceeds from the Company's initial public offering as below:

	Allocation of the IPO Proceeds RMB'000	Actual amount of the IPO Proceeds utilised up to 31 December 2018 RMB'000	Actual amount of the IPO Proceeds utilised up to 31 December 2019 RMB'000	Actual amount of the IPO Proceeds utilised up to 31 December 2020 RMB'000	Unutilised IPO Proceeds from IPO RMB'000
Production lines for plywood products and biomass wood pellets	66,800	(53,287)	(53,336) (Note)	(66,800) (Note)	–
Expansion of sales and marketing network	16,400	(5,325)	(5,325)	(16,400)	–
General working capital	11,000	(11,000)	(11,000)	(11,000)	–
New production facilities	15,800	(15,800)	(15,800)	(15,800)	–
Total	**110,000**	**(85,412)**	**(85,461)**	**(110,000)**	**–**

Note:

As of 31 December 2019, the Company has utilised RMB53.3 million out of the IPO Proceeds for its new production lines for plywood products and biomass wood pellets. The proceeds have been used in the following manner: (i) approximately RMB2.1 million was used to acquire the land use rights for its plywood production facilities; (ii) approximately RMB1.2 million was used for the purpose of renovating and developing its plywood production facilities; (iii) approximately RMB37.0 million was used for the installation of the new plywood production line; (iv) approximately RMB0.2 million was used to acquire the land use right for a piece of land ("Target Land A") for its biomass wood pellets production facilities; and (v) approximately RMB12.8 million was used for the installation of the biomass wood pellets production line on Target Land A.

As disclosed in the 2019 Annual Report, the Group encountered delay in securing a new piece of land ("Target Land B") for construction of the new production plant for its biomass products. The Company was given to understand that the delay in land acquisition for the new production plant was mainly attributed to the prolonged approval process of the state owned land use right by the Ministry of Natural Resources of the PRC ("MoNR"). As at the date of this report, the Company has neither entered into any agreements with the local government for the Target Land B acquisition nor commenced construction on the relevant land. Due to a sharp decrease in market demand for the biomass products, the Company decided not to proceed with its original plan in 2019 and in 2020, the management decided to apply the remaining IPO proceeds to convert the existing biomass factory building instead.

The Group experienced a decrease in profit margin in the second half of 2019 in both its plywood and biomass business. As at 31 December 2019, approximately RMB85.5 million of the IPO Proceeds were used in accordance with the intended purposes as previously disclosed, the Group was working with the local government and other parties till the end of 2019 in identifying suitable opportunities to apply the Unutilised IPO proceeds, including but not limited to identifying suitable locations to set up the Group's branch offices with a view to improving the operations of the Group.

The Group has gradually downsized its business operations for biomass wood-pellets since 2019 and in response to the deteriorating market conditions brought about by the COVID-19 pandemic and it has decided to convert its existing plants and machinery for the purpose of leasing out as an interim solution to mitigate the Group's continued operating loss in July 2020. Having considered, among other things, (i) the continued operating loss of the Group amid the COVID-19 pandemic, in particular the Group's biomass wood pellets business; (ii) the existing biomass plants can be better utilised by converting into facilities for lease which can in return generate stable income stream; and (iii) the renovation of existing factories of the plywood business to enhance its sales and marketing network and for the purpose of acquiring raw materials, the Group is of the view that the aforementioned change in use of proceeds is in the interest of the Company and its shareholders as a whole amid the COVID-19 pandemic. The Board is also of the view that the leasing out of its converted facilities of the biomass business will not have material adverse effect on the Company's existing business operations.

As at 31 December 2020, the Company has utilised (i) approximately RMB13.5 million from the IPO Proceeds to convert its existing biomass plants into facilities for lease; and (ii) approximately RMB11.1 million from the IPO Proceeds to renovate parts of the Group's existing plywood factory as a sales and marketing centre to showcase the Company's products. The Group has entered into an agreement to lease out its converted facilities to an independent third party. As the Group has utilised all of the IPO Proceeds as at 31 December 2020, the Board will reconsider its options and continue to explore suitable locations to potentially set up a branch office of the Group in the future as and when financial resources allow.

USE OF PROCEEDS FROM PLACING OF NEW SHARES ON 28 NOVEMBER 2017 (THE "2017 PLACING")

The Directors would like to provide information regarding the detailed breakdown and description of the actual use of net proceeds from the Company's 2017 Placing as below:

	Allocation of Proceeds from 2017 Placing RMB'000	Actual amount of the Proceeds from 2017 Placing utilised up to 31 December 2018 RMB'000	Actual amount of the Proceeds from 2017 Placing utilised up to 31 December 2019 RMB'000	Actual amount of the Proceeds from 2017 Placing unutilised up to 31 December 2020 RMB'000	Unutilised Proceeds from 2017 Placing
Construction of new production facilities	75,600	(26,800)	(44,300) (Note)	(44,300)	–
General working capital	–	–	–	(31,300)	–
	75,600	(26,800)	(44,300) (Note)	(75,600)	

Note:

As at 31 December 2019, approximately RMB44.3 million of the Proceeds from 2017 Placing were used for construction of new production facilities. The breakdown of use of such proceeds is as follows:

	Actual use of Proceeds from 2017 Placing as at 31 December 2019 (RMB million)
– Acquisition of land use right of two pieces of land	3.3
– Construction of new production facilities	21.6
– Purchase of raw materials for new production facilities	19.4
Total:	**44.3**

Impairment provisions were subsequently made to the relevant construction of new production facilities, details of which are disclosed below. The followings are made based on the best knowledge and belief of the current members of the Board having made reasonable enquires with the relevant former Directors and key management personnel.

During the year ended 31 December 2017

On 17 October 2017, a cooperation agreement (the "Cooperation Agreement") was entered into between the Group and the Goucunji town people government (the "Goucunji Government"), regarding the proposed acquisition of land use right for certain land parcels with an aggregate floor area of approximately 124 mu before 30 June 2018. Pursuant to the Cooperation Agreement, the Goucunji Government shall be responsible for, among other things, engaging contractor to construct wall and two factories on the relevant lands for and on behalf of the Group in accordance with the proposed construction schedule (the "Entrusted Construction"). The total cost for the Entrusted Construction under the Cooperation Agreement was approximately RMB38.7 million and the Entrusted Construction was anticipated to be completed by 30 June 2018. The new production facility was intended to expand the Group's production capabilities and for the manufacturing of wood veneer.

Having considered that (i) the then business and development needs of the Group justifying the expansion of production capabilities; (ii) the then imminent business needs to expand the Group's production capacity to capture the anticipated industry growth as forecasted by the independent industry expert in the Prospectus; (iii) the commitment and assistance on the part of the Goucunji Government with the Entrusted Construction under the Cooperation Agreement to ensure timely commencement of operation of the new production facilities; (iv) lower counterparty risk on the part of the Goucunji Government due to its governmental background; (v) the then reasonable belief that there would not be much legal impediment for completion of the Acquisition; (vi) several site visits were made by the certain former executive Directors to ensure the conditions, suitability and development feasibility and potential of the land parcels; and (vii) the Entrusted Construction would expedite the construction process, thereby enabling the Group to capture and generate additional revenue as soon as possible upon completion of the acquisition, the then Board considered commencing the Entrusted Construction ahead of the completion of the acquisition of relevant land to be in the best interests of the Company and its shareholders as a whole.

In December 2017, at the request of the Goucunji Government, the Group made an upfront payment for the Entrusted Construction to the Goucunji Government and approximately RMB21.6 million was used for the construction of the new production facility (of which approximately RMB21.3 million was initially recorded as construction in progress and approximately RMB0.35 million was recorded in prepayments). The Company was given to understand that the Entrusted Construction work had commenced, as arranged by the Goucunji Government, immediately after the payment. During the relevant period, the then Board considered the counterparty risk of the Goucunji Government to be relatively low. As such the Group continued to follow up with the MoNR to expedite the approval process of the state-owned land use certificate.

During the year ended 31 December 2018

As at 30 June 2018, the MoNR was in the process of approving the Group's application for the grant of use for the land for the construction of the new production facilities. Due to an unexpected delay on the part of the relevant governmental bodies involved, the public listing-for-sale process of the land parcels, which was originally scheduled in December 2017, was delayed to 27 November 2018 (the "Delay Period"), beyond the timetable as initially anticipated. As disclosed in the 2019 Annual Report, the Group entered into a land purchase agreement with Chengwu County Natural Resources and Planning Bureau ("Natural Resources and Planning Bureau") for the acquisition of the land use right of two pieces of land (the "Target Land C and D") at a consideration of approximately RMB6.6 million (the "Acquisition") on 24 December 2018. Deposits in the aggregate amount of RMB3.3 million (the "Deposits") were paid by the Group as partial payment of the total consideration. During the construction period, the Group also commenced the procurement of raw materials for the new production facility and as at 31 December 2019, approximately RMB19.4 million of the Proceeds from 2017 Placing was applied towards the purchase of such raw materials to facilitate the initiation stage of the new production facility. These raw materials were classified as inventory. As advised by the then directors of the Company, the original intention was to ensure the new production facility would be able to commence production with the raw materials purchased once the construction was completed.

During the year ended 31 December 2019

Due to changes in market sentiment and deteriorating market performance after the Company entered into the land purchase agreement with Natural Resources and Planning Bureau for the acquisition of the land use right of the Target Land C and D, the Company was of the view that (i) the deteriorated performance of the Group and the market could no longer justify the scale of expansion of production capacity as initially anticipated; (ii) the Group may not be able to meet its initial investment and performance targets for the new wood veneer business given the circumstances; (iii) the remaining consideration of RMB3.3 million for the Acquisition and the continued investment for the remaining Entrusted Construction would constitute a heavy financial burden on the Group while the breakeven/payback period could not be reasonably estimated given the then market performance; (iv) the forfeiture of Deposits of RMB3.3 million as a result of the termination of the Acquisition was a sum bearable by the Group; and (v) the possible recoupment, in part or in full, of the payments made by the Group for the Entrusted Construction may potentially reduce the monetary loss of the Group should the Acquisition be terminated. Given the above, the Company was of the view that no further financial resources should be further applied towards the Acquisition and the Entrusted Construction given the change in circumstances and market performance and accordingly the Group elected not to proceed with the completion of the Acquisition and the ownership of the land was not transferred to the Group.

As such, the Entrusted Construction costs were reclassified to other receivable as at 31 December 2019 after negotiations were held between the Group and the government relating to the recoupment of the construction costs and prepayments previously made by the Group. A provision of approximately RMB10.8 million was made against the receivable balance to cover the potential unrecoverable amount. All raw materials previously procured for intended production use in the new production facilities were subsequently fully utilised by the Group in its other production plants and processes.

Pursuant to the termination notices dated 26 June 2019 from the Natural Resources and Planning Bureau, the Acquisition was unilaterally terminated. As a result of the failure on the part of the Group to pay the remaining consideration in accordance with the relevant land use right transfer agreement, deposits paid by the Group were forfeited by the Natural Resources and Planning Bureau.

The Cooperation Agreement was terminated by mutual agreement after discussions between the Company and the Goucunji Government in 2019. The Goucunji Government was of the view that the factories which have been built may be better utilised by other local businesses and the then Board considered it to be in the best interests of the Company to focus on its existing operations rather than committing to a new business which it will anticipate to have serious operating issues given the circumstances. The Group has since been negotiating with the Goucunji Government to explore the feasibility of recouping such amount and it is expected that the Group could recoup part of, if not all, the Entrusted Construction fee paid by the Group from the Goucunji Government.

During the year ended 31 December 2020

As at 31 December 2020, approximately RMB0.95 million was refunded to the Group by the Goucunji Government. The negotiations and recoupment have been protracted due to the outbreak of COVID-19. The Company will continue to engage in negotiations with the relevant governmental bodies and is also seeking advices from its professional advisors to explore the possible appropriate course of action to minimise losses for the purpose of protecting the interests of the Company and its shareholders as a whole. An internal control consultant has also been engaged by the Company to review and strengthen the overall internal control system of the Group. As part of its review, the internal control consultant conducted an assessment on the above transaction and follow-up measures and will make recommendations where appropriate. In the event that there's no substantial progress from the negotiations with the relevant government bodies and the recoupment of the Entrusted Construction fees, the Company will seek further legal advices to protect its legal rights pursuant to the Cooperation Agreement.

As at 31 December 2020, the pandemic is not under control and continues to have an adverse effect on the Group's business operations. As COVID-19 pandemic continues to adversely affect the Group, the Board is of the view that a more prudent policy should be adopted to maintain sufficient working capital and cash flow liquidity for its business operations during these unprecedented economic climate. Having considered the interests of the Company and its Shareholders as a whole and in light of current market conditions and the Group's business needs, the Board has reallocated the Unutilised Proceeds of RMB31.3 million from 2017 Placing as general working capital of the Group, and mainly for the purchase of raw materials.

The Board is of the view that the reallocation of the Unutilised Proceeds from 2017 Placing will provide more flexibility for the Group to manage its assets and liabilities and is favourable to the Group's sustainability and long term business development. The Board confirms that there is no material change in the business nature of the Group and considered that the proposed change in use of the Unutilised Proceeds from 2017 Placing will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

During the year ended 31 December 2021

As at 31 December 2021, approximately RMB8 million was refunded to the Group by the Goucunji Government and the Group has entered into a settlement agreement with the Government to terminate the Cooperation Agreement after thorough discussions between the two parties. Such proceeds were applied to finance of the day-to-day operations of the Group's subsidiaries in the PRC.

USE OF PROCEEDS FROM PLACING OF NEW SHARES ON 17 JUNE 2019 (THE "2019 PLACING")

The Directors would like to provide information regarding the detailed breakdown and description of the actual use of net proceeds from the Company's 2019 Placing as below:

	Allocation of the Proceeds from 2019 Placing HKD'000	Actual use of the Proceeds from 2019 Placing as of 31 December 2019 HKD'000	Unutilised Proceeds from 2019 Placing HKD'000
Repayment of existing secured fixed-interest bank borrowings	11,347	(11,347)	–
General working capital of the Group	20,353	(20,353)	–
Total	**31,700**	**(31,700)**	–

As of 31 December 2020, the Proceeds from 2019 Placing was fully utilised in accordance with the intended purposes previously disclosed and there was no material change in the intended use of such proceeds.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 128 of this annual report. This summary does not form part of the Group's audited financial statements.

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 year.

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.

The Directors are not aware of any tax relief available to shareholders by reason of their holding of the Company's securities.

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB212,502,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and the largest customer accounted for approximately 32.6% and 7.9% respectively of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the number of issued Shares in the Company) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors during the year were:

Executive Directors:
Mr. CHAI Kaw Sing
Mr. SUN Yongtao (Note)
Mr. WONG Ben
Mr. WONG Wai Keung Frederick (Resigned on 24 January 2022)
Mr. ZHANG Ayang (Duties suspended)

Independent non-executive Directors:
Mr. KWOK Wai Ching Harrison (Resigned on 19 May 2021)
Ms. LO Yuk Yee
Mr. TSO Siu Lun Alan
Mr. LO Kam Cheung Patrick (Appointed on 19 May 2021 and resigned on 4 March 2022)
Mr. KWOK Yiu Tong (Appointed on 22 March 2022)

Note: Mr. SUN Yongtao was redesignated as non-executive Chairman and non-executive Director on 16 March 2022.

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, Mr. CHAI Kaw Sing, Mr. WONG Ben, Mr. SUN Yongtao, and Mr. KWOK Yiu Tong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive Directors are appointed for a period of three years.

The Company has received annual confirmations of independence from Mr. KWOK Yiu Tong, Ms. LO Yuk Yee, and Mr. TSO Siu Lun Alan, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 7 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No service agreements have been entered between the executive Directors and the Company, while each of the independent non-executive Directors have signed an appointment letter with the Company, The principal particulars of these letters of appointment are (i) for an initial fixed term of three years commencing from the appointment date for the independent non-executive Directors respectively, and (ii) are subject to termination in accordance with their respective terms. All Directors were appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DEED OF NON-COMPETITION

The Company entered into a deed of non-competition (the "Deed of Non-Competition") with the controlling Shareholders (collectively referred to as the "Covenantors") on 25 November 2016 so as to better safeguard the Group from any potential competition and to formalise the principles for the management of potential conflicts among them and to enhance our corporate governance in connection with the listing.

The independent non-executive Directors have reviewed compliance by the Covenantors and confirm that based on confirmations and information provided by each of the Covenantors, they were in compliance with the Deed of Non-Competition during the year ended 31 December 2021.

EMPLOYEE AND EMOLUMENT POLICY

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

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

The relationships with employee and the statistic shall be set out in the Environmental, Social and Governance Report which will be released in due course.

DIRECTORS' REMUNERATION

During the year ended 31 December 2021, the Board has reviewed the remuneration of all Directors in response to the impact from COVID-19 on the Group's financial performance. Accordingly, adjustments have been made on the remuneration level of each Director, which have been recommended by the Company's remuneration committee to and approved by the Board. The respective new annual remuneration level for each Director for the year ending 31 December 2022 is as follows:

	HK$
Mr. CHAI Kaw Sing	360,000
Mr. SUN Yongtao	360,000
Mr. WONG Ben	360,000
Mr. ZHANG Ayang	396,000
Mr. KWOK Yiu Tong	144,000
Ms. LO Yuk Yee	180,000
Mr. TSO Siu Lun Alan	180,000

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2021, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for the benefits of all Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year ended 31 December 2021.

CONNECTED TRANSACTIONS

All of the Group's related party transactions for the year ended 31 December 2021 did not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("Model Code") were as follows:

(a) Interests of Directors

	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. Zhang Ayang (Note 1)	–	109,783,800	109,783,800	12.18%
Mr. Chai Kaw Sing	57,200,000	16,300,000	73,500,000	7.55%

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.

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. The Option Scheme became effective on 19 December 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options permitted to be granted under the Option Scheme as at the date of this report is an amount equivalent, upon their exercise, to 72,000,000 Shares. The maximum number of Shares issuable under share options to each eligible participant in the Option Scheme within any 12-month period is limited to 1% of the Shares in issue as of the date of grant. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial Shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the Shares in issue at any time or with an aggregate value (based on the price of the Shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

The subscription price of a Share in respect of any particular option granted under the Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

At no time during the year 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.

Since adoption of the Scheme, no options have been granted.

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

	Number of Shares held, capacity and nature of interest			
	Directly beneficially owned	Interests in persons acting in concert (Note 1)	Total	Percentage of the Company's share capital
Name				
Mr. Wong Tseng Hon	221,295,000	–	221,295,000	22.71%
Concert Group (Note 1)				
Mr. Ke Mingcai (Note 3)	42,380,800	67,403,000	109,783,800	11.27%
Mr. Wang Songmao	25,291,000	84,492,800	109,783,800	11.27%
Mr. Wu Shican	12,300,000	97,483,800	109,783,800	11.27%
Mr. Lin Qingxiong	100,000	109,683,800	109,783,800	11.27%
Ms. Wu Haiyan (Note 2)	29,712,000	80,071,800	109,783,800	11.27%
Ms. Leung Leung Wing Yee Winnie (Note 3)	190,000,000	–	190,000,000	19.50%

Note:

1. Pursuant to the Concert Party Agreement, Mr. Ke Mingcai, Mr. Cai Jinxu, Mr. Wang Songmao, Mr. Lin Qingxiong, Mr. Wu Shican and Ms. Wu Haiyan have agreed on certain arrangements pertaining to their shareholdings in the Company. Pursuant to the SFO, since each of Lin Qingxiong and Wu Haiyan is a party to the Concert Party Agreement, each of Mr. Lin Qingxiong and Ms. Wu Haiyan 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.

3. Mr. Ke Mingcai's Shares are currently held by a receiver. Ms. Leung Leung Wing Yee Winnie was appointed as a receiver on 2 July 2021 of the relevant shares pursuant to the disclosure of interest filed on 14 July 2021.

Save as disclosed above, as at 31 December 2021 , there was no other person who had an interest or short position in the Shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued voting shares of the Company; or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Group's environmental policies and performance shall be disclosed in the Environmental, Social and Governance Report which will be released in due course.

SIGNIFICANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

Details of the significant events of the Group subsequent to the end of the reporting period are set out in note 36 to the consolidated financial statements of this annual report. Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. So far as the Directors is aware, the Group has complied in all material respects with the relevant laws and regulations that have significant impact on the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued Shares were held by the public as at the date of this report.

AUDITORS

PricewaterhouseCoopers resigned as auditor of the Company with effect from 10 November 2021 and Confucius International CPA Limited was appointed as auditor of the Company with effect from 24 February 2022 to fill the causal vacancy and to hold office until the conclusion of the forthcoming annual general meeting of the Company (the "AGM"). Save as disclosed above, there were no other changes of auditor of the Company in the preceding two years.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held in Hong Kong on Thursday, 16 June 2022. The notice of the AGM will be issued and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

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

ON BEHALF OF THE BOARD

Sun Yongtao
Non-Executive Chairman and Non-Executive Director

Hong Kong
31 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 year ended 31 December 2021.

BOARD OF DIRECTORS

Board composition

The Board currently comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. As at the date of this report, the Board comprises the followings Directors:

Executive Directors

Mr. CHAI Kaw Sing
Mr. WONG Ben
Mr. ZHANG Ayang (duties suspended)

Non-executive Director

Mr. SUN Yongtao

Independent non-executive Directors

Mr. KWOK Yiu Tong
Ms. LO Yuk Yee
Mr. TSO Siu Lun Alan

Independence of the independent non-executive Directors

The Company has received annual written confirmations from all independent non-executive Directors with regards to their independence, and therefore the Company still consider, based on the guidelines set out in Rule 3.13 of the Listing Rules, that all independent non-executive Directors to be independent.

Continuous professional development

During the year ended 31 December 2021, all Directors participated in continuous professional development by either attending external seminars and conferences, or reading materials relating to corporate governance practices, directors’ duty and the Listing Rules.

The Directors confirmed that they have complied with the Code Provision A6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development by the following means to develop and refresh their knowledge during the year under review:

Name of Directors	Training received
Mr. CHAI Kaw Sing	Reading materials/attending training course
Mr. SUN Yongtao	Reading materials/attending training course
Mr. WONG Ben	Reading materials/attending training course
Mr. WONG Wai Keung Frederick	Reading materials/attending training course
Mr. ZHANG Ayang	Reading materials/attending training course
Mr. KWOK Wai Ching Harrison	Reading materials/attending training course
Ms. LO Yuk Yee	Reading materials/attending training course
Mr. TSO Siu Lun Alan	Reading materials/attending training course
Mr. LO Kam Cheung Patrick	Reading materials/attending training course

Chairman and Chief Executive

Mr. SUN Yongtao currently serves as the non-executive Chairman of the Board and the Company has not appointed the chief executive officer of the Company. Such appointment ensures a clear distinction between the management of the Board and the management of the business operation of the Company.

APPOINTMENT OF DIRECTORS

All Directors are subject to retirement by rotation at least once every three years. In addition, all independent non-executive Directors are appointed for a term of three years.

Roles and responsibilities

The Board is responsible for the leadership and control of the Group, and delegates day-to-day operations to the management team of the Group. The Board provides directions to the management team by laying down strategies and plans, and then oversees the implementation performed by the management team. The Board also timely monitors the Group's operational and financial performance through monthly reports prepared by the management team of the Group.

The Board also reviews the compensation policies, succession planning, internal control system and risk management system regularly through various committee established under the Board.

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.

Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the standards set out in the Model Code throughout the year ended 31 December 2021.

BOARD COMMITTEES

The Company currently has four committees established under the Board, listed as follows:

- Audit committee
- Remuneration committee
- Nomination committee
- Risk management committee

Audit committee

The audit committee is to serve as a focal point for communication between other Directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits.

The audit committee is currently chaired by Mr. KWOK Yiu Tong and the other members of the audit committee are Mr. SUN Yongtao, Ms. LO Yuk Yee and Mr. TSO Siu Lun Alan. Mr. KWOK Yiu Tong, Ms. LO Yuk Yee and Mr. TSO Siu Lun Alan are independent non-executive Directors and Mr. SUN Yongtao is a non-executive Director.

The work performed by the audit committee during the year ended 31 December 2021 comprises the following:

- reviewing the annual results and the annual report of the Group for the year ended 31 December 2020;
- reviewing the interim results and the interim report of the Group for the six months ended 30 June 2021;
- assessing the effectiveness of the Group's internal audit function;
- making recommendations to the Board on reappointment of the Company's external auditor;
- approving the remuneration and terms of engagement of the Company's external auditor;
- reviewing and monitoring the independence of the Company's external auditor, objectivity and the effectiveness of the audit process;
- reviewing the Group's system of internal control;
- reviewing the Group's accounting policies and practices; and
- Discussed the appointment of Confucius International CPA Limited to fill the vacancy left by the resignation of PricewaterhouseCoopers during the year ended 31 December 2021, and made recommendation to the Board.

Remuneration committee

The remuneration committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. In addition, the remuneration committee is also responsible for reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives of the Board.

The remuneration committee is currently chaired by Ms. LO Yuk Yee and the other members of the remuneration committee are Mr. SUN Yongtao and Mr. TSO Siu Lun Alan. The majority of the remuneration committee members are independent non-executive Directors. Ms. LO Yuk Yee and Mr. TSO Siu Lun Alan are independent non-executive Directors and Mr. SUN Yongtao is a non-executive Director.

The work performed by the remuneration committee during the year ended 31 December 2021 comprises the following:

- reviewing the policy for the remuneration of Directors; and
- assessing performance of executive Directors and approving the terms of executive Directors' service contracts.

Nomination committee

The nomination committee is mainly responsible for the following:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships with due regard to the benefits of diversity in the Board with reference to the Board diversity policy;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate;
- assessing the independence of independent non-executive Directors in accordance with the provisions of the Listing Rules and other relevant laws, rules and regulations;
- reviewing the Board diversity policy, developing and reviewing measurable objectives for implementing the Board diversity policy and monitoring the progress on achieving these objectives; and
- where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, setting out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.

The nomination committee is currently chaired by Mr. SUN Yongtao and other members of the nomination committee are Mr. TSO Siu Lun Alan and Ms. LO Yuk Yee. Ms. LO Yuk Yee and Mr. TSO Siu Lun Alan are independent non-executive Directors and Mr. SUN Yongtao is a non-executive Director.

The work performed by the nomination committee during the year ended 31 December 2021 included reviewing the policy for the nomination of Directors.

Board Diversity Policy

The Board recognises the importance of diversity in the Board composition and has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, selection of candidates has been considered from a number of perspectives and measurable objectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has considered and reviewed the composition and diversity of the Board. All the executive Directors and non-executive Director possess extensive and diversified experience in management and industrial experience. The three independent non-executive Directors possess professional knowledge in management, finance, accounting and legal aspects. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness.

The Nomination Committee recognises that the gender diversity of the Board and will continue to use its best efforts, to train, retain, attracts and select suitable female candidates that can contribute success to the Group. As at the date of this report, the Board comprises six male directors and one female director.

Risk management committee

The risk management committee is mainly responsible for the following:

- considering the Company's risk management strategies;
- considering, reviewing and approving risk management policies and guidelines;
- deciding on risk levels, risk appetite and related resources allocation;
- approving major decisions affecting the Group's risk profile or exposure and giving such directions as it considers appropriate;
- considering the effectiveness of decision making process in crisis and emergency situations; and
- reviewing at least once a year the effectiveness and resources of the risk management control system of the Group.

The risk management committee is currently chaired by Mr. CHAI Kaw Sing and the other members of the risk management committee are Mr. SUN Yongtao and Mr. TSO Siu Lun Alan. Mr. CHAI Kaw Sing is a executive Director, Mr. TSO Siu Lun Alan is a independent non-executive Director and Mr. SUN Yongtao is a non-executive Director.

The work performed by the risk management committee during the year ended 31 December 2021 included reviewing the Group's risk management control system.

Board, Board committee meetings and general meetings

The attendance of each Director for the Board meetings, Board committee meetings and general meetings held during the year ended 31 December 2021 is set out in the following table:

	Meetings attended/meetings eligible to attend					
Directors	Board	Audit committee	Remuneration committee	Nomination committee	Risk management committee	General meeting
Executive Directors						
Mr. CHAI Kaw Sing	7/7	N/A	N/A	N/A	N/A	1/1
Mr. SUN Yongtao (Note)	7/7	N/A	1/1	N/A	1/1	1/1
Mr. WONG Ben	7/7	N/A	N/A	N/A	N/A	1/1
Mr. WONG Wai Keung Frederick (Resigned on 24 January 2022)	7/7	N/A	N/A	N/A	1/1	1/1
Mr. ZHANG Ayang (Duties suspended)	7/7	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Mr. LO Kam Cheung Patrick *(appointed on 19 May 2021 and resigned on 4 March 2022)*	3/3	2/2	N/A	1/1	N/A	1/1
Ms. LO Yuk Yee	4/7	3/4	0/1	0/1	N/A	1/1
Mr. TSO Siu Lun Alan	7/7	4/4	1/1	1/1	N/A	1/1
Mr. KWOK Wai Ching Harrison *(Resigned on 19 May 2021)*	0/4	0/2	N/A	N/A	N/A	N/A

Note: Mr. SUN Yongtao was subsequently redesignated as non-executive chairman and non-executive Directors on 16 March 2022.

Remuneration paid to the senior management by band

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration paid to the senior management by band for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of individual(s)
Below HK$1,000,000	5

Details of remuneration of the Directors and the five highest paid individuals are set out in Notes 11 to the consolidated financial statements.

AUDITORS' REMUNERATION

Confucius International CPA Limited has been appointed as the auditors of the Company in respect of the audit of the consolidated financial statements of the Company for the year ended 31 December 2021. No non-audit services have been provided by Confucius International CPA Limited to the Group during the year ended 31 December 2021.

An analysis of the fees paid or payable to Confucius International CPA Limited in relation to services rendered to the Company for the year ended 31 December 2021 is as follows:

	RMB'000
Audit services	880
Non-audit services	–
	880

COMPANY SECRETARY

Mr. Leung Wing Lun, an external service provider, has been engaged by the Company as its company secretary. The primary corporate contact persons at the Company are Mr. Chai Kaw Sing, the executive Director of the Company. The biographical details of Mr. Leung are set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report.

During the year ended 31 December 2021, the company secretary of the Company had confirmed that he had taken no less than 15 hours of relevant professional training in compliance with the Listing Rules.

SHAREHOLDERS' RIGHTS

Shareholders can at any time raise enquiries to the Board. The enquiries must be in writing with contact information of the Shareholder(s) and deposited at the principal place of business of the Company in Hong Kong at Room 2703, 27th Floor, K. Wah Centre, No. 191 Java Road, North Point, Hong Kong for the attention of the company secretary of the Company.

In addition, any one or more duly registered holder of the Shares holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CONSTITUTIONAL DOCUMENTS

There is no significant changes in the constitutional documents of the Company during the year ended 31 December 2021.

ANNUAL REPORTING

Directors' responsibilities

The Directors acknowledge that the Board is responsible for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Auditors' responsibilities

The reporting responsibilities of the Company's auditors with regard to the consolidated financial statements of the Group are set out on page 48 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that a review of the risk management and internal control systems of the Group for the year ended 31 December 2021 has been conducted by an external service provider. There has been suggestions for improvement on the Group's internal control systems by the external service provider and the Group has taken and will continue to take further follow-up actions in response to those suggestions.

The Board expects that a review of the risk management and internal control systems will be performed annually.

MATERIAL UNCERTAINTIES RELATING TO GOING CONCERN

The Group incurred a net loss of RMB119,151,000 and recorded a net operating cash outflow of RMB6,761,000 for the year ended 31 December 2021 and the Group recorded a net current liabilities of RMB39,550,000 as at 31 December 2021 where the Group's current borrowings amounted to RMB62,647,000 while the Group's cash and cash equivalents amounted to RMB3,259,000 only. As at 31 December 2021, bonds and related interests of RMB32,550,000 and three bank borrowings in the PRC amounting to RMB16,287,000 in total were defaulted in repayment. Accordingly, the Directors consider the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors haven undertaken substantial work for improving the Group's liquidity and financial position, including adopting the Scheme of Arrangement, proposing an open offer, exploring the opportunity to dispose of the Group's certain assets, arranging financial support from major shareholders and exploring new business initiatives. Please refer to the Management Discussion and Analysis section for further details.

PAN-CHINA 天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

香港莊士敦道181號大有大廈15樓1501-1508室
Rooms 1501-8, 15/F., Tai Yau Building,
181 Johnston Road, Wanchai, Hong Kong
電話 Tel: (852) 3103 6980
傳真 Fax: (852) 3104 0170
電郵Email: info@pccpa.hk

To the Shareholders of Da Sen Holdings Group Limited
(Incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Da Sen Holdings Group Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 127, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

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

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

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed a disclaimer opinion on these statements on 17 May 2021.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Confucius International CPA Limited
Certified Public Accountants

Tsang Kwong Kin
Practising Certificate Number: P07368
Hong Kong
31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Continuing operations			
Revenue	8	**172,748**	175,281
Cost of sales		**(229,799)**	(289,083)
Gross loss		**(57,051)**	(113,802)
Selling and distribution expenses		**(1,140)**	(845)
Administrative expenses		**(16,883)**	(14,584)
Allowance for expected credit losses, net		**(22,629)**	(61,864)
Other income, gains or (losses)	9	**(17,662)**	(9,517)
Finance costs	10	**(3,745)**	(4,416)
Loss before tax from continuing operations		**(119,110)**	(205,028)
Income tax expense	12	**(41)**	(6,246)
Loss for the year from continuing operations	13	**(119,151)**	(211,274)
Discontinued operation			
Loss for the year from discontinued operation	14	**–**	(24,028)
Loss and total comprehensive expenses for the year attributable to the shareholders of the Company		**(119,151)**	(235,302)
Loss per share for continuing operations attributable to the shareholders of the Company			
– Basic and diluted (expressed in RMB cents per share)	16	**(12.23)**	(21.68)
Loss per share attributable to the shareholders of the Company during the year			
– Basic and diluted (expressed in RMB cents per share)	16	**(12.23)**	(24.15)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	17	7,352	10,579
Property, plant and equipment	18	37,425	54,813
Investment properties	19	45,160	45,878
		89,937	111,270
Current assets			
Inventories	20	5,116	47,228
Trade and other receivables	21	82,373	111,354
Cash and cash equivalents	22	3,259	5,763
		90,748	164,345
Total assets		180,685	275,615
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	8,592	8,592
Share premium	23	212,502	212,502
Other reserves	24	52,942	52,942
Accumulated losses		(223,916)	(104,765)
		50,120	169,271

	Notes	2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liability			
Deferred income	27	**267**	292
Current liabilities			
Trade and other payables	26	**53,983**	40,333
Deferred income	27	**25**	25
Receipt in advance	28	**240**	–
Tax payables		**7,168**	7,168
Amount due to related parties	29	**6,235**	589
Borrowings	25	**62,647**	57,937
		130,298	106,052
Total liabilities		**130,565**	106,344
Total equity and liabilities		**180,685**	275,615

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 49 to 127 were approved and authorised for issue by the board of directors on 31 March 2022 and are signed on its behalf by:

CHAI Kaw Sing
Executive Director

WONG Ben
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Equity attributable to shareholders of the Company				
	Share capital (Note 23) RMB'000	Share premium (Note 23) RMB'000	Other reserves (Note 24) RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
At 1 January 2020	8,592	212,502	52,942	130,537	404,573
Loss and total comprehensive expenses for the year	–	–	–	(235,302)	(235,302)
At 31 December 2020 and 1 January 2021	8,592	212,502	52,942	(104,765)	169,271
Loss and total comprehensive expenses for the year	–	–	–	(119,151)	(119,151)
At 31 December 2021	8,592	212,502	52,942	(223,916)	50,120

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Continuing operations			
Loss before tax of continuing operations		**(119,110)**	(205,028)
Adjustment for:			
Depreciation on right-of-use assets	17	**256**	520
Impairment loss on right-of-use assets	17	**2,971**	–
Depreciation on property, plant and equipment	18	**2,406**	3,545
Impairment loss on property, plant and equipment	18	**15,019**	2,491
(Gain) loss on disposal of property, plant and equipment	9	**(163)**	1,628
Write off of construction-in-progress		**–**	12,439
Depreciation on investment properties	19	**1,541**	1,384
Impairment loss on investment properties	19	**933**	28,210
Provision for inventory write-down		**–**	7,376
Other loss, net		**–**	398
Amortisation of deferred income		**(25)**	(25)
Write off of other receivables	9	**105**	–
Allowance for expected credit losses on trade and other receivables, net		**22,629**	61,864
Interest income	9	**(5)**	(13)
Finance costs	10	**3,745**	4,416
Net exchange gain		**–**	(2,136)
Operating cash flow before movements in working capital		**(69,698)**	(82,931)
Decrease in inventories		**42,112**	28,078
Decrease in trade and other receivables		**6,247**	23,682
Increase in trade and other payables		**10,839**	4,903
Increase in receipt in advance		**240**	–
Increase in amount due to related parties		**5,646**	589
Cash used in operation		**(4,614)**	(25,679)
Interest received		**5**	13
Interest paid		**(2,111)**	(1,618)
Income tax paid		**(41)**	(9)
		(6,761)	(27,293)
Discontinued operation		**–**	(1,591)
Net cash used in operating activities		**(6,761)**	(28,884)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Investing activities			
Continuing operations			
Purchases of property, plant and equipment	18	**(110)**	(16,061)
Proceeds from disposal of property, plant and equipment		**236**	240
Additions to investment properties	19	**(1,756)**	–
		(1,630)	(15,821)
Discontinued operation		**–**	450
Net cash used in investing activities		**(1,630)**	(15,371)
Financing activities			
Continuing operations			
Proceeds from borrowings		**18,500**	23,900
Repayments of borrowings		**(12,613)**	(24,700)
Principal elements of lease payments		**–**	(274)
		5,887	(1,074)
Discontinued operation		**–**	(100)
Net cash from (used in) financing activities		**5,887**	(1,174)
Net decrease in cash and cash equivalents		**(2,504)**	(45,429)
Effect of exchange rate change on cash and cash equivalents		**–**	185
Cash and cash equivalents at beginning of the year		**5,763**	51,007
Cash and cash equivalents at end of the year		**3,259**	5,763

The accompanying notes form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (the "Group) are the manufacture and sales of plywood and leasing. The Group was also engaged in the manufacture and sale of wood pellets which was discontinued in last year (see note 14).

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

2 BASIS OF PREPARATION

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

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

(b) Going concern basis

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

2 BASIS OF PREPARATION – *continued*

(b) Going concern basis – *continued*

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

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

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

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

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

2 BASIS OF PREPARATION – *continued*

(b) Going concern basis – *continued*

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

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

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

The directors of the Company have reviewed the Group's cash flow projections prepared by management, covering a period of not less than twelve months from the date of this 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*

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

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

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

(c) Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are with the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

2 BASIS OF PREPARATION – *continued*

(c) Historical cost convention – *continued*

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IFRS 9 and IAS 39, IFRS 7, IFRS 4 and IFRS16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19 Related Rent Concessions

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

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

New and amendments to IFRSs issued but not yet effective

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

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

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

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

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

[4] Effective date to be determined.

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

4 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. A subsidiary is an entity over which the Group has control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors that makes strategic decisions.

Revenue recognition

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – ***continued***

Revenue from contracts with customers – continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 Financial Instrument ("IFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under the “other income, gains or (losses)”.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at costs less accumulated depreciation and impairment, if any.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment – *continued*

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Plant	30 years
– Machinery	10–15 years
– Vehicles	10 years
– Furniture, fixtures and equipment	5 years

An item of Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at costs less accumulated depreciation and impairment, if any. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying value of the investment properties under construction.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investment properties – *continued*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right of use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets, are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment on property, plant and equipment and right-of-use assets – *continued*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying value of a group of cash-generating units, including the carrying value of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within six months of maturity at acquisition. For the purpose of the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Lease – *continued*

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises, director's accommodation, warehouses, plant and machinery that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Lease – *continued*

The Group as a lessee – continued

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Lease – *continued*

The Group as a lessee – continued

Lease liabilities – *continued*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.;
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Employee benefits

Retirement benefit costs

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity managed by local governments. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets – continued

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and other receivables, cash and cash equivalents) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balance and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – continued

Impairment of financial assets

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – continued

Impairment of financial assets – *continued*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – continued

Impairment of financial assets – *continued*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial assets – *continued*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to related parties and borrowings) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Provisions – *continued*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group (which mean that each parent, subsidiary and fellow subsidiary is related to the others);

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

4 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Related parties – *continued*

(b) the party is an entity where any of the following conditions applies: – continued

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

5 KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

(a) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt on the going concern assumption are set out in note 2(b) to the consolidated financial statements.

(b) Estimated useful lives and residual values of property, plant and equipment, investment properties and right-of-use assets

The Group's management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment, investment properties and right-of-use assets. This estimate is based on the historical experience of the actual useful lives of the assets of similar nature and functions. It could change significantly as a result of technical innovations and competitors action in response to several industry cycles. Management will increase the depreciation charge when useful lives are less than previously estimated lives, or it will write off or write-down technically obsolete or nonstrategic assets that have been abandoned or sold. Actual economic lives and actual residual values may differ from estimated useful lives and residual values. Periodic reviews could result in a change in depreciable lives and residual values and therefore changes in depreciation expenses in the future periods.

5 KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

(c) Estimated impairment of property, plant and equipment, investment properties and right-of-use assets

Property, plant and equipment, investment properties and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties due to uncertainty on how the Covid-19 pandemic may progress and evolve.

As at 31 December 2021, the carrying value of property, plant and equipment, investment properties and right-of-use assets subject to impairment assessment were RMB37,425,000, RMB45,160,000 and RMB7,352,000 (2020: RMB54,813,000, RMB45,878,000 and RMB10,579,000) respectively, after taking into account the impairment losses of RMB15,019,000, RMB933,000 and RMB2,971,000 (2020: RMB2,491,000, RMB28,210,000 and RMBnil) in respect of property, plant and equipment, investment properties and right-of-use assets that have been recognised respectively. Details of the impairment of property, plant and equipment, investment properties and right-of-use assets are disclosed in notes 18, 19 and 17 respectively.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and costs necessary to make the sale. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer demand and competitor actions in response to industry cycles. Management reassesses the estimates at each reporting date.

(e) Allowance for expected credit losses of trade and other receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, basing on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 6.

6 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Amortised cost		
Trade and other receivables	71,650	97,159
Cash and cash equivalents	3,259	5,763
	74,909	102,922
Financial liabilities		
Amortised cost		
Trade and other payables	51,915	39,279
Borrowings	62,647	57,937
Amounts due to related parties	6,235	589
	120,797	97,805

6 FINANCIAL INSTRUMENTS – *continued*

(b) 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. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

(i) Foreign exchange risk

The directors do not consider the exposure to foreign exchange risk is significant to the Group's operation as the Group mainly operates in Mainland China with most of the transactions denominated and settled in RMB. Therefore, the Group did not use any derivatives to hedge its exposure to foreign exchange risk for the year ended 31 December 2021.

The Group's exposure to foreign exchange risks arises from the Company's cash and cash equivalents, bonds payables, other payables and amount due to related parties in Hong Kong which are denominated in HK$ (notes 22, 25, 26 and 29 respectively).

At 31 December 2021, if RMB had strengthened/weakened by 10% against the US$ and HK$ (pegged with US$), with all other variables held constant, the Group's net loss for the year would have been RMB4,831,000 lower/higher (2020: RMB2,461,000 lower/higher).

6 FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk factors – *continued*

(a) Market risk – continued

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents (Note 22), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group does not hedge its cash flow and fair value interest rate risk.

As at 31 December 2021, if interest rate on borrowings had been higher/lower by 100 basis point, with other variables held constant, the Group's net loss for the years would have been increased/decreased by approximately RMB348,000 (2020: RMB322,000).

(b) 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.

6 FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk factors – *continued*

(b) Credit risk – continued

(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.

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 measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables on initial recognition.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the length of past due 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 2021, trade receivables of approximately RMB99,219,000 (2020: RMB75,688,000) has been fully provided for loss allowance for these individually assessed receivables.

6 FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk factors – *continued*

(b) Credit risk – continued

(ii) Impairment of financial assets – *continued*

Trade receivables – *continued*

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2020: 100%) of the total receivables as at 31 December 2021. The Group has concentration of credit risk as 18% (2020: 15%) and 55% (2020: 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*

(b) Financial risk factors – *continued*

(b) Credit risk – continued

(ii) Impairment of financial assets – *continued*

Trade receivables – *continued*

On that basis, the loss allowance as at 31 December 2021 and 2020 were determined as follows for trade receivables:

31 December 2021	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
Expected 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
Loss allowance	377	673	964	3,349	5,363
Individually impaired receivables	–	–	–	99,219	99,219
Total loss allowance	377	673	964	102,568	104,582

31 December 2020	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
Expected loss rate	2.13%	4.27%	11.12%	54.57%	6.59%
Gross carrying amount	41,743	40,591	7,699	5,104	95,136
Loss allowance	890	1,734	856	2,785	6,265
Individually impaired receivables	–	465	21,682	53,541	75,688
Total loss allowance	890	2,199	22,538	56,326	81,953

6 FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk factors – *continued*

(b) Credit risk – continued

(ii) Impairment of financial assets – *continued*

Trade receivables – *continued*

The closing loss allowances for trade receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	2021 RMB'000	2020 RMB'000
Opening loss allowance at 1 January	81,953	8,334
Provision for allowance for expected credit losses, net	22,629	73,619
At 31 December	104,582	81,953

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*

(b) Financial risk factors – *continued*

(b) Credit risk – continued

(ii) Impairment of financial assets – *continued*

Other receivables at amortised cost – *continued*

The closing loss allowances for other receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	2021 RMB'000	2020 RMB'000
Opening loss allowance at 1 January	**17,971**	10,795
Provision for receivables impairment	**–**	7,176
Write-off	**(6,466)**	–
At 31 December	**11,505**	17,971

6 FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk factors – *continued*

(c) 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.

	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 flow RMB'000	Total carrying amount 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
At 31 December 2020						
Borrowings	6.03	61,431	–	–	61,431	57,937
Trade and other payables	n/a	39,279	–	–	39,279	39,279
Amount due to related parties	n/a	589	–	–	589	589
		101,299	–	–	101,299	97,805

6 FINANCIAL INSTRUMENTS – *continued*

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of the bank borrowings and dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. Total borrowings include 'current and non-current borrowings' as shown in the consolidated balance sheet. Total equity is 'equity' as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	2021 **RMB'000**	2020 RMB'000
Total borrowings (note 25)	**62,647**	57,937
Total equity	**50,120**	169,271
Gearing ratio	**125%**	34%

Gearing ratio increased when compared with that of the year ended 31 December 2020 resulted primarily from the decrease in equity due to net loss for the year ended 31 December 2021.

6 FINANCIAL INSTRUMENTS – *continued*

Fair value estimation

As at 31 December 2021, the Group had no financial instruments that are subsequently measured in the 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 SEGMENT INFORMATION

The directors are the Group's chief operating decision maker. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segments based on these reports. The directors consider the business from products and services perspective, and determine that the Group has the following operating segments:

– Manufacturing and sales of plywood;

– Leasing activities

An operating segment regarding the manufacturing and sales of biomass wood pellets was discontinued in the last year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 14.

7 SEGMENT INFORMATION – *continued*

No geographical segment information is presented as all the revenue and operating profits 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 finance costs and certain administrative expenses, which is consistent with that in the 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 SEGMENT INFORMATION – *continued*

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

	Plywood RMB'000	Lease 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)

	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

7 SEGMENT INFORMATION – *continued*

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

	Plywood RMB'000	Lease 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

7 SEGMENT INFORMATION – *continued*

The segment information for the year ended 31 December 2020 is as follows:

	Continuing operations		Discontinued operation		Group
	Plywood RMB'000	Lease activities RMB'000	Wood pellets RMB'000	Inter-segment revenue RMB'000	Group RMB'000
Segment result					
Revenue	173,859	1,422	10,735	(7,783)	178,233
Segment results	(165,454)	(31,021)	(23,811)	1,069	(219,217)
Unallocated costs					(6,353)
Finance costs					(2,452)
Loss before tax					(228,022)
Income tax expense					(7,280)
Loss for the year					(235,302)
Other segment items					
Income statement items:					
Allowance for expected credit losses	61,864	–	18,931	–	80,795
Depreciation on right-of-use assets	520	–	110	–	630
Depreciation on property, plant and equipment	3,545	–	573	–	4,118
Impairment loss on property, plant and equipment	2,491	–	–	–	2,491
Loss/(gain) on disposal of property, plant and equipment	1,628	–	(30)	–	1,598
Write-off construction in progress	12,439	–	–	–	12,439
Depreciation on investment properties	–	1,384	–	–	1,384
Impairment loss on investment properties	–	28,210	–	–	28,210
Other items:					
Additions to non-current assets	92	15,969	–	–	16,061

7 SEGMENT INFORMATION – *continued*

The segment assets and liabilities at 31 December 2020 are as follows:

	Plywood RMB'000	Lease activities RMB'000	Unallocated RMB'000	Group RMB'000
Total assets	226,776	48,494	345	275,615
Total liabilities	54,665	12,706	38,973	106,344

Information about major customers

Revenue from an individual customer which accounted for 10% or more of the Group's total revenue during the year is set out as below:

	2021 **RMB'000**	2020 RMB'000
Customer A	**–**	26,822
Customer B	**–**	21,180

8 REVENUE

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

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

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

9 OTHER INCOME, GAINS OR (LOSSES)

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

10 FINANCE COSTS

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

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments and retirement benefits

For the year ended 31 December 2021

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Wong Ben	292	–	–	292
Mr. Chai Kaw Sing	292	–	–	292
Mr. Sun Yongtao (note iv)	292	–	–	292
Mr. Wong Wai Keung Frederick (note v)	585	–	–	585
Mr. Zhang Ayang (note i)	321	–	–	321
Independent Non-executive directors:				
Mr. Tso Siu Lun	146	–	–	146
Mr. Kwok Wai Ching (note ii)	52	–	–	52
Ms Lo Yuk Yee	146	–	–	146
Mr. Lo Kam Cheung Patrick (note iii)	95	–	–	95
	2,221	–	–	2,221

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

(a) Directors' emoluments and retirement benefits – *continued*

For the year ended 31 December 2020

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Wong Ben	169	–	–	169
Mr. Chai Kaw Sing	169	–	–	169
Mr. Sun Yongtao (note iv)	67	–	–	67
Mr. Wong Wai Keung Frederick (note v)	123	–	–	123
Mr. Zhang Ayang (note i)	487	–	–	487
Independent Non-executive directors:				
Mr. Tso Siu Lun	78	–	–	78
Mr. Kwok Wai Ching (note ii)	15	–	–	15
Ms Lo Yuk Yee	15	–	–	15
	1,123	–	–	1,123

The executive, non-executive and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(i) The duties and powers of Mr. Zhang Ayang as an executive Director has been suspended since 15 December 2021.

(ii) Mr. Kwok Wai Ching resigned as independent non-executive director of the Company on 19 May 2021.

(iii) Mr. Lo Kam Cheung Patrick was appointed as independent non-executive director on 19 May 2021 and resigned on 4 March 2022.

(iv) Mr. Sun Yongtao was redesignated as non-executive director on 16 March 2022.

(v) Mr. Wong Wai Keung Frederick resigned as executive director of the Company on 24 January 2022.

(b) Directors' termination benefits

During the year ended 31 December 2021, no termination benefits were paid to the directors (2020: Nil).

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, no consideration was paid for making available the services of the directors of the Company (2020: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2021, there was no loans, quasi loans or other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors (2020: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

Five highest paid individuals

The five individuals whose emoluments are the highest in the Group included five (2020: two) directors during the year, whose emoluments are reflected in the analysis shown in above. The emoluments paid and payable to the remaining individual during the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and bonus	–	515
Pension, housing fund and other social benefits	–	–
	–	515

The number of highest paid non-director individuals, whose remuneration for the year fell within the following band:

	2021	2020
Emolument band (in HK$)		
Nil to HK$1,000,000	–	3

12 INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Income tax expense		
– Current tax	–	–
– Under-provision of PRC Enterprise Income Tax	41	–
– Deferred income tax	–	7,280
Represented by:		
Total income tax expense from continuing operations	41	6,246
Total income tax expense from discontinued operation (Note 14)	–	1,034
	41	7,280

(i) **Hong Kong profits tax**

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

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

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

(iii) **PRC withholding income tax**

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

12 INCOME TAX EXPENSE – *continued*

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

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

Notes:

(i) The Group's entities in the PRC had tax losses of RMB223,899,000 (2020: RMB149,284,000). The expiration dates of those tax losses for which no deferred tax assets have been recognised are as follows:

	2021 RMB'000	2020 RMB'000
Year of expiration		
2024	**30,711**	30,711
2025	**118,573**	118,573
2026	**74,615**	–
Total	**223,899**	149,284

(ii) The remaining tax losses were incurred by the Company and subsidiaries in Hong Kong that are not likely to generate taxable income in the foreseeable future, which can be carried forward perpetually.

13 LOSS FOR THE YEAR

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

	2021 RMB'000	2020 RMB'000
Staff costs, including directors' emoluments	8,460	13,348
Retirement benefits scheme contributions, including contributions for directors	204	768
	8,664	14,116
Auditor's remuneration	880	1,920
Cost of inventories recognised as expense	217,312	232,347
Depreciation on property, plant and equipment	2,406	4,118
Impairment loss on property, plant and equipment	15,019	2,491
Depreciation on investment properties	1,541	1,384
Impairment loss on investment properties	933	28,210
Depreciation on right-of-use assets	256	520
Impairment loss on right-of-use assets	2,971	–
Provision for inventory write-down	–	7,376
Write off of other receivables	105	–

	2021 RMB'000	2020 RMB'000
Gross rental income from investment properties	(2,200)	(1,422)
Less: Direct operating expenses from investment properties that generated rental Income during the year	14	1,384
	(2,186)	(38)

14 DISCONTINUED OPERATION

As mentioned in Notes 1 and 7 above, in the second half year of 2020, the Group decided to cease the biomass wood pellets operation and changed the factory site to a market for trading of agricultural products and leased the market to a third party. Accordingly, the cessation of biomass wood pellets operation is presented as a discontinued operation in the consolidated financial statements of the Group for the year ended 31 December 2020.

14 DISCONTINUED OPERATION – *continued*

(a) The results of the discontinued operation are presented below:

	2020 RMB'000
Revenue – sales of biomass wood pellets	2,952
Cost of sales	(3,783)
Gross loss from discontinued operation	(831)
Selling and distribution expenses	(17)
Administrative expenses	(3,172)
Net provision of impairment losses on financial assets	(18,931)
Other income	275
Other losses-net	(66)
Operating loss from discontinued operation	(22,742)
Finance income	–
Finance costs	(252)
Finance costs – net	(252)
Loss before tax from discontinued operation	(22,994)
Income tax expense	(1,034)
Loss for the year from discontinued operation	(24,028)

14 DISCONTINUED OPERATION – *continued*

(b) The loss for the year from discontinued operation includes the following:

	2020 RMB'000
Raw materials and consumables used	2,387
Changes in inventories of finished goods and work-in-progress	774
Employee benefit expenses	661
Amortisation of right-of-use assets	110
Depreciation of property, plant and equipment	573
Impairment charges on property, plant and equipment	–
Taxes and levies	449
Utilities	118
Other expenses	1,900
Total cost of sales, selling and distribution expenses and administrative expenses	6,972

15 DIVIDEND

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

16 LOSS PER SHARE

(a) Basic

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

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

(b) Diluted

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

17 RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 January 2020	432	30,441	30,873
Transfer to investment properties	–	(17,746)	(17,746)
Early termination	(432)	–	(432)
At 31 December 2020 and 31 December 2021	–	12,695	12,695
Depreciation			
At 1 January 2020	–	3,603	3,603
Charge for the year	256	374	630
Transfer to investment properties	–	(1,861)	(1,861)
Early termination	(256)	–	(256)
At 31 December 2020	–	2,116	2,116
Charge for the year	–	256	256
At 31 December 2021	**–**	**2,372**	**2,372**
Impairment loss			
At 1 January 2020 and 31 December 2020	–	–	–
Charge for the year	–	2,971	2,971
At 31 December 2021	**–**	**2,971**	**2,971**
Carrying value			
At 31 December 2021	**–**	**7,352**	**7,352**
At 31 December 2020	–	10,579	10,579

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 2021, land use rights of the Group with a carrying value of RMB7,352,000 (2020: RMB5,521,000) were pledged as security for short-term bank borrowings of the Group (Note 25).

For the year ended 31 December 2021, the expense relating to short-term lease amounted to RMB173,000 (2020: RMB87,000).

18 PROPERTY, PLANT AND EQUIPMENT

	2021					
	Plant	Machinery	Furniture, fixtures and equipment	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2020	111,100	35,539	1,207	790	21,164	169,800
Additions	–	–	92	–	–	92
Transfer upon completion	8,725	–	–	–	(8,725)	–
Disposals	–	(14,395)	(59)	(111)	–	(14,565)
Write off (Note (a))	–	–	–	–	(12,439)	(12,439)
Transfer to investment properties	(53,738)	–	–	–	–	(53,738)
At 31 December 2020	66,087	21,144	1,240	679	–	89,150
Additions	–	–	110	–	–	110
Disposals	–	(918)	–	(522)	–	(1,440)
Write off	–	–	(35)	–	–	(35)
At 31 December 2021	66,087	20,226	1,315	157	–	87,785
Depreciation						
At 1 January 2020	20,278	14,239	1,036	593	–	36,146
Charge for the year	2,712	1,271	74	62	–	4,119
Eliminated on disposals	–	(6,437)	(43)	(105)	–	(6,585)
Transfer to investment properties	(9,723)	–	–	–	–	(9,723)
At 31 December 2020	13,267	9,073	1,067	550	–	23,957
Charge for the year	2,130	211	65	–	–	2,406
Eliminated on disposals	–	(548)	–	(400)	–	(948)
Write off	–	–	(35)	–	–	(35)
At 31 December 2021	15,397	8,736	1,097	150	–	25,380

18 PROPERTY, PLANT AND EQUIPMENT – *continued*

	2021					
	Plant RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Impairment loss						
At 1 January 2020	6,441	7,506	9	19	–	13,975
Charge for the year	(6,045)	8,400	49	87	–	2,491
Eliminated on disposals	–	(5,690)	–	–	–	(5,690)
Transfer to investment properties	(396)	–	–	–	–	(396)
At 31 December 2020	–	10,216	58	106	–	10,380
Charge for the year	14,590	427	2	–	–	15,019
Eliminated on disposals	–	(319)	–	(100)	–	(419)
At 31 December 2021	14,590	10,324	60	6	–	24,980
Carrying value						
At 31 December 2021	36,100	1,166	158	1	–	37,425
At 31 December 2020	52,820	1,855	115	23	–	54,813

Notes:

(a) In view of the loss situation of the plywood operation, the Group scaled down the operations of the business in the PRC subsidiaries and wrote-off the new factory workshop under construction so as to vacate the land for leasing out to generate stable and recurring rental income. The carrying value of construction in progress that has been written off amounted to RMBnil (2020: RMB12,439,000) which was recorded as a loss in "Other income, gains or (losses)" in the consolidated financial statements.

(b) As at 31 December 2021, plants of the Group with a carrying value of RMB36,100,000 (2020: RMB17,648,000), were pledged as security for short-term bank borrowings of the Group as disclosed in Note 25.

(c) As at 31 December 2021, plants of the Group with a carrying value of RMB11,184,000 (2020: RMB12,855,000) were without real estate titles and they are in the process of applying for the real estate certificates.

19 INVESTMENT PROPERTIES

	Plant RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 January 2020	–	–	–
Additions	15,968	–	15,968
Transfer from right-of-use assets	–	17,746	17,746
Transfer from property, plant and equipment	53,738	–	53,738
At 31 December 2020	69,706	17,746	87,452
Additions	1,756	–	1,756
At 31 December 2021	**71,462**	**17,746**	**89,208**
Depreciation			
At 1 January 2020	–	–	–
Charge for the year	1,147	237	1,384
Transfer from right-of-use assets	–	1,861	1,861
Transfer from property, plant and equipment	9,723	–	9,723
At 31 December 2020	10,870	2,098	12,968
Charge for the year	1,185	356	1,541
At 31 December 2021	**12,055**	**2,454**	**14,509**
Impairment loss			
At 1 January 2020	–	–	–
Charge for the year	28,210	–	28,210
Transfer from property, plant and equipment	396	–	396
At 31 December 2020	28,606	–	28,606
Charge for the year	933	–	933
At 31 December 2021	**29,539**	**–**	**29,539**
Carrying value			
At 31 December 2021	**29,868**	**15,292**	**45,160**
At 31 December 2020	30,230	15,648	45,878

19 INVESTMENT PROPERTIES – *continued*

As mentioned in Note 1 above, on 1 July 2020, the Group ceased the operation of manufacturing and sale of biomass wood pellets and changed the factory site to a market for trading of agricultural products and leased the market to a third party. The lease term is 20 years from July 2020. In addition, during the year ended 31 December 2020, the Group transformed a portion of another factory site for leasing and entered into two other leases with third parties for factory land and buildings in Shandong for lease periods of 6 years from April 2020 and 20 years from January 2020 respectively. Accordingly, the carrying value of the related land and buildings were transferred from right-of-use assets (Note 17) and property, plant and equipment (Note 18) to investment properties during the year ended 31 December 2020.

These factory sites are located at Dasen Industrial Park, Chengwu County Development Zone, Heze City, Shandong Province, PRC and Meisen Industrial Park, Sunsi Town Chengwu County, Heze City, Shandong Province, PRC, respectively.

The Group's investment properties were stated at historical cost less subsequent accumulated depreciation and any accumulated impairment losses at the end of each reporting period.

The fair value of the Group's investment properties as at 31 December 2021 were determined to be approximately RMB59,600,000 (2020: RMB47,608,000) by the directors of the Company with reference to valuations performed by Peak Vision Appraisals Limited (2020: Shandong Tongcheng Real Estate Valuation and Consulting Co., Limited(山東同誠房地產評估諮詢有限公司)), 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 consolidated statement of comprehensive income for the year ended 31 December 2021.

The valuations were based on market approach. 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 December 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

20 INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	789	26,036
Work-in-progress	1,814	19,107
Finished goods	3,187	15,431
	5,790	60,574
Provision	(674)	(13,346)
	5,116	47,228

Inventories of RMB5,116,000 was stated at net realisable value.

21 TRADE AND OTHER RECEIVABLES

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

Note:

As at the date of this report, RMB6,775,000 of a prepaid amount was satisfied by the delivery of raw materials.

21 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.

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

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

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

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

Details of impairment assessment of trade and other receivables for the years ended 31 December 2021 and 2020 are set out in Note 6.

21 TRADE AND OTHER RECEIVABLES – *continued*

The Group has a large number of customers, mainly in Fujian Province, Guangdong Province and Zhejiang Province. There is concentration of credit risk with respect to trade receivables. Due to the impact of COVID-19, the Group's downstream customers have difficulties in their operations. As a result, the Group has difficulties in collecting money from these downstream customers and management analyzes all receivables and makes provision for bad debts.

22 CASH AND CASH EQUIVALENTS

	2021 **RMB'000**	2020 RMB'000
Cash on hand	**56**	57
Cash at banks	**3,203**	5,706
Cash and cash equivalents	**3,259**	5,763

Cash at banks and on hand are denominated in the following currencies:

	2021 **RMB'000**	2020 RMB'000
RMB	**3,232**	5,622
USD	**–**	1
HKD	**27**	140
Cash and cash equivalents	**3,259**	5,763

Bank balances carry interest at market rates which range from 0.001% to 0.3% (2020: 0.001% to 0.3%).

23 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares '000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2020, 31 December 2020 and 31 December 2021	974,400	8,592	212,502	221,094

The total number of authorised share capital of the Company comprised 3,000,000,000 ordinary shares with a par value of HK$0.01 each as at 31 December 2021 and 2020.

24 OTHER RESERVES

	Capital reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
At 1 January 2020, 31 December 2020, and 31 December 2021	26,889	26,053	52,942

(a) Capital reserves

The capital reserves represent the capital injection to Heroic Group Limited and its subsidiaries by the founding shareholders in prior years.

(b) Statutory reserves

Statutory reserves represent statutory surplus reserve of the subsidiary companies in the PRC. The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to shareholders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations in the PRC at rate of 10% or at the discretion of the board of Directors of the PRC subsidiaries, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares, provided that the balance of such reserve is not less than 25% of the entity's registered capital after the bonus issue.

For the years ended 31 December 2021 and 2020, PRC subsidiaries did not make appropriations to statutory reserves due to the operating losses during the year.

25 BORROWINGS

	2021 RMB'000	2020 RMB'000
Current		
Bonds repayable within one year (note a)	27,860	29,037
Short-term bank borrowings – secured (note b)	25,287	28,900
Other loan (note c)	9,500	–
Total borrowings	62,647	57,937

Notes:

(a) **Bonds**

The Company issued 1 year to 7.5 years term bonds in Hong Kong which are unsecured and interest bearing at 6% to 8% per annum and payable annually. As at 31 December 2021 and 2020, the Group's bonds were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	27,860	29,037

During the year ended 31 December 2020, the Company failed to pay the interests of all of the bonds that were due for repayment during the year thereby triggered the default redemption clause of the bond contracts. As a result, all the outstanding bond payables amounted to RMB29,037,000 as at 31 December 2020 became immediately repayable if requested by the bond holder creditors, of which RMB7,154,000 represented bonds with original maturity dates within one year, while the remaining RMB21,883,000 represented bonds with original maturity dates beyond 31 December 2021 and were reclassified as current liabilities as at 31 December 2020. In addition, the Company received several writs of summons and a statutory demand from the bond holder creditors in relation to the overdue payments of the bonds' principals and interests. During the year ended 31 December 2021, the District Court of the Hong Kong Special Administrative Region ordered that judgment be entered in favour of the bond holder creditors against the Company for the principal amount and interest accrued.

In order to discharge substantially the liabilities and claims against the Company in Hong Kong and to alleviate its cash flow pressure, on 30 November 2020, the Company announced the Proposed Restructuring (Note 2(b)(i)), including the bonds borrowings and the interests accrued and other liabilities in Hong Kong, by way of implementing the Creditors Scheme. The Creditors Scheme is a scheme of arrangement to be entered into between the Company and the creditors pursuant to Sections 666 to 675 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) and Section 86 of the Companies Law (2018 Revision) of the Cayman Islands.

25 BORROWINGS – *continued*

Notes: – *continued*

(a) Bonds – *continued*

The Creditors Scheme shall become effective subject to the fulfilment of the following conditions precedent, *inter alia*:

(i) the approval for the Creditors Scheme having been obtained from the requisite majority in number representing at least 75% in value of the Scheme Creditors who, either in person or by proxy, attend and vote at the scheme meetings to be convened with the leave of the High Court;

(ii) the Scheme being sanctioned by the High Court;

(iii) the passing of the necessary resolution(s) by the Independent Shareholders (other than those Shareholders who are required to abstain from voting on all or any of the resolutions under the Listing Rules) by way of poll at the EGM to be convened and held to approve the Debt Restructuring, as required;

(iv) the High Court order sanctioning the Scheme being filed or registered (as the case may be) with the relevant Registrar of Companies in Hong Kong, and

(v) the Open Offer having completed and HK$15.2 million of the Open Offer Proceeds having been transferred to the Scheme Account held by the SchemeCo.

On 9 December 2021, the Creditors Scheme was approved by the requisite majorities of the Scheme Creditors.

On 11 January 2022, the Creditors Scheme was sanctioned without modification by the High Court of Hong Kong Special Administrative Region.

(b) Short-term bank borrowings

The Group's short term bank borrowings were borrowed by the PRC subsidiaries of the Group from banks in the PRC. They are secured by the Group's land use rights with carrying value of RMB7,352,000 (2020: RMB5,521,000), plants of the Group with carrying value of RMB36,100,000 (2020: RMB17,648,000), and investment properties with carrying value of RMB44,980,000 (2020: RMB33,099,000) as at 31 December 2021. The bank borrowings were also guaranteed by Mr. Ke Mingcai, an ex-director of the Company, together with his spouse, Mr. Zhang Ayang, a director of the Company and an employee of the Group's PRC subsidiary (Note 29).

The Group failed to repay three borrowings from a bank in the PRC, totaling RMB18,900,000 as at 31 December 2020, when the bank borrowings were due for repayment in January and February 2021. This had triggered cross default of another bank borrowing of RMB10,000,000 as at 31 December 2020, which was originally due for repayment in June 2021 and will be subject to immediate repayment if requested by the respective bank.

During the year ended 31 December 2021, the bank filed a petition to the People's Court in Chengwu County of Shangdong Province for the repayment of the loans and interest accrued and the court ordered that the repayment of the principal amount and the interest accrued within the time specified.

(c) Other loan

The other loan was granted by an independent third party with interest rate of 8.4% per annum.

(d) For the year ended 31 December 2021, the weighted average effective interest rate on borrowings from banks was 6.75% (2020: 6.03%) per annum.

(e) The Group's bonds, bank borrowings and other loan are denominated in HKD and RMB respectively, and their carrying amounts approximated their fair value as at the balance sheet date.

26 TRADE AND OTHER PAYABLES

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

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

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

The carrying amounts of the Group's trade and other payables approximated their fair values as at the balance sheet date and were mainly denominated in RMB.

Other taxes payables

This represented value added tax ("VAT") and other taxes and levies in the PRC. The Group's sales and purchases are subject to output VAT payable on sales which is deductible by input VAT deductible on purchases, majority of which are purchases of raw wood materials for the production of plywood. During the year ended 31 December 2019, there was the change in the calculation of VAT deduction for the purchase of raw wood materials which is a kind of agricultural products and is subject to calculation of input VAT based on a percentage of plywood products. As a result, during the year ended 31 December 2021 the Group's deductible input VAT was decreased by RMB4,314,000 (2020: RMB7,377,000), of which RMB4,314,000 (2020: RMB3,063,000) was recorded as an increase in cost of goods sold in the consolidated statement of comprehensive income and RMBnil (2020: RMB4,314,000) was recorded as inventory as at 31 December 2021.

Accrued expenses

The accrued expenses included staff costs of RMB10,110,000 (2020: RMB8,473,000).

27 DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants relating to property, plant and equipment		
– Current portion	25	25
– Non-current portion	267	292
	292	317

The government grants were received from the local government as a subsidy to the Group's purchase of property, plant and equipment. They are amortised to the consolidated statements of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

The movements of the above government grants during the year were as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	317	342
Amortised as income (Note 9)	(25)	(25)
	292	317

28 RECEIPT IN ADVANCE

	2021 RMB'000	2020 RMB'000
Receipt in advance from an operating lease	240	–

29 AMOUNT DUE TO RELATED PARTIES

	2021 RMB'000	2020 RMB'000
WONG Tseng Hon – substantial shareholder (note (i))	3,267	589
CHAI Kaw Sing – an executive-director (note (i))	1,020	–
ZHANG Ayang – an executive-director (note (ii))	1,948	–
	6,235	589

Note:

(i) The amounts due to Mr. Wong Tseng Hon and Mr. Chai Kaw Sing are interest-free, unsecured and repayable when the Amended Open Offer successful. The directors of the Company considered that the carrying amounts are approximate their fair value.

(ii) The amount due to ZHANG Ayang is interest-free, unsecured and repayable on demand. The directors of the Company considered that the carrying amount is approximates its fair value.

30 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Liabilities from financing activities			
	Borrowings and interest payable RMB'000	Bonds and interest payable RMB'000	Leases liabilities RMB'000	Total RMB'000
At 1 January 2020	29,800	30,970	472	61,242
Cash flows	(900)	–	(165)	(1,065)
Foreign exchange adjustments	–	(1,959)	–	(1,959)
Other changes	–	2,790	(307)	2,483
As at 31 December 2020	28,900	31,801	–	60,701
Proceeds from borrowings	18,500	–	–	18,500
Repayments of borrowings	(12,613)	–	–	(12,613)
Interest expense	2,996	749	–	3,745
Interest paid	(2,111)	–	–	(2,111)
As at 31 December 2021	35,672	32,550	–	68,222

31 OPERATING LEASES COMMITMENTS

The Group as lessee

The Group leases office in Hong Kong under non-cancellable operating lease agreement. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	87	90

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 5 to 20 years respectively.

Undiscounted lease payments receivable on leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	2,413	2,372
In the second year	2,465	2,413
In the third year	2,526	2,465
In the fourth year	2,527	2,526
In the fifth year	2,403	2,527
After five years	25,702	28,105
	38,036	40,408

32 PLEDGED OF ASSETS

	2021 RMB'000	2020 RMB'000
Investment properties situated in the PRC	40,493	33,099
Property, plant and equipment situated in the PRC	36,100	17,648
Right-of-use assets situated in the PRC	7,352	5,521
	83,945	56,268

33 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:

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

As at 31 December 2021, the Group's short-term borrowings of RMB16,287,000 (2020: RMB18,900,000) were guaranteed by Mr. Ke Mingcai, an ex-director of the Company, together with his spouse. Short-term borrowings of RMB9,000,000 (2020: RMB10,000,000) were guaranteed by Mr. Ke Mingcai together with Mr. Zhang Ayang (Note 25(b)).

(b) Key management personnel compensation

	2021 RMB'000	2020 RMB'000
Salaries and bonus	1,804	1,032
Pension, housing fund, medical insurance and others	–	–
	1,804	1,032

34 SUBSIDIARIES

The Group's subsidiaries at 31 December 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The place of incorporation or registration is also their principal place of business.

Company name	Place of incorporation/ operation and type of legal entity	Paid-up capital	Ownership interest held by the Group		Principal activities
			2021	2020	
Directly held:					
Heroic Group Limited 雄英集團有限公司	BVI, limited liability company	USD50,000	**100%**	100%	Investment holding
Indirectly held:					
Mei Sem (Hong Kong) Holding Co., Limited 美森(香港)控股有限公司	Hong Kong, limited liability company	HKD10,000	**100%**	100%	Investment holding
Dasen (Hong Kong) Holdings Company Limited 大森(香港)控股有限公司	Hong Kong, limited liability company	HKD10,000	**100%**	100%	Investment holding
Da Sen Investment (Hong Kong) Company Limited 大森投資(香港)有限公司	Hong Kong, limited liability company	HKD1	**100%**	100%	Inactive
Meisen (Shandong) Wood Limited 美森(山東)木業有限公司	Shandong Province, limited liability company	RMB199,946,734	**100%**	100%	Manufacturing and sales of plywood and leasing business
Dasen (Heze) Biomass Energy Limited 大森(菏澤)生物質能源有限公司	Shandong Province, limited liability company	USD6,000,000	**100%**	100%	Leasing business
Da Sen Heze Advanced Materials Technology Company Limited 菏澤大森新型材料有限公司	Shandong Province, limited liability company	RMB10,000,000	**100%**	100%	Sales of plywood

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	2021 RMB'000	2020 RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	75,666	136,450
Current assets		
Other receivables and prepayment	11	197
Amounts due from subsidiaries	23,815	23,550
Cash and cash equivalents	4	140
	23,830	23,887
Total assets	99,496	160,337
EQUITY		
Capital and reserves attributable to the shareholders		
Share capital	8,592	8,592
Share premium	212,502	212,502
Other reserves	136,448	136,448
Accumulated losses	(307,422)	(238,446)
Total equity	50,120	119,096
Current liabilities		
Other payables and accrued expenses	15,730	11,615
Amount due to related parties	3,700	589
Amount due to subsidiaries	2,086	–
Borrowings	27,860	29,037
Total liabilities	49,376	41,241
Total equity and liabilities	99,496	160,337

The statement of financial position of the Company was approved by the board of directors on 31 March 2022 and are signed on its behalf by:

CHAI Kaw Sing	**WONG Ben**
Executive Director	*Executive Director*

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY – *continued*

(b) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2020	136,448	(23,748)
Loss for the year	–	(214,698)
At 31 December 2020	136,448	(238,446)
Loss for the year	–	(68,976)
At 31 December 2021	136,448	(307,422)

36 EVENTS AFTER REPORTING PERIOD

The proposed Open Offer of shares of the Company

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

36 EVENTS AFTER THE BALANCE SHEET DATE – *continued*

The proposed Open Offer of shares of the Company – *continued*

The Amended Open Offer is conditional upon the fulfilment of the following conditions precedent, inter alia:

a. the obtaining of the approval and authorisation by the Hong Kong Stock Exchange for the Company to issue the announcement for the proposal of the Amended Open Offer;

b. the passing of the necessary resolution(s) by the independent shareholders (other than those shareholders who are required to abstain from voting on all or any of the resolutions under the Listing Rules) at an EGM to approve the Amended Open Offer;

c. the obtaining of the approval and authorisation by the Hong Kong Stock Exchange for issue of the prospectus by the Company in relation to the Amended Open Offer;

d. the granting or agree to grant by the Listing Committee of Hong Kong Stock Exchange the listing of and permission to deal in all the Amended Offer Shares;

e. all requirements and conditions imposed by the regulatory authorities in connection with the Amended Open Offer having been fulfilled or complied with; and

f. compliance with and performance of the irrevocable undertakings of certain shareholders.

37 COMPARATIVE FIGURES

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

SUMMARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	172,748	175,281	318,542	435,664	499,563
Gross (loss) profit	(57,051)	(113,802)	(28,652)	55,493	97,251
Operating (loss) profit	(115,365)	(202,828)	(76,175)	32,453	73,801
(Loss) Profit before income tax	(119,110)	(205,028)	(81,660)	26,622	69,363
Income tax credit (expense)	(41)	(6,246)	6,079	(7,349)	(19,220)
Total comprehensive (loss) income for the year, attributable to the shareholders of the Company	(119,151)	(235,302)	(75,581)	19,273	50,143
(Losses) Earnings per share for profits attributable to the shareholders of the Company – Basic and diluted	(12.23 cents)	(24.15 cents)	(8.05 cents)	2.15 cents	6.59 cents

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	89,937	111,270	156,576	193,284	193,593
Current assets	90,748	164,345	346,115	350,031	322,790
Total assets	180,685	275,615	502,691	543,315	516,383
Non-current liabilities	267	317	23,078	24,722	23,128
Current liabilities	130,298	106,027	75,040	66,306	60,241
Total liabilities	130,565	106,344	98,118	91,028	88,369
Total equity	50,120	169,271	404,573	452,287	433,014