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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1580)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Da Sen Holdings Group Limited (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	**Change**
	RMB'000	*RMB'000*	
Revenue	**216,799**	256,614	(15.5%)
Gross profit	**32,649**	58,364	(44.1%)
Gross profit margin	**15.1%**	22.7%	
Total comprehensive income attributable to the shareholders of the Company	**13,741**	30,051	(54.3%)
Earnings per share (basic and diluted)	**1.5 cents**	4.0 cents	(62.0%)
Dividend proposed in respect of the period	**—**	—	

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

"China" or "PRC"	*The People's Republic of China and, except where the context requires and only for the purpose of this announcement, references to China do not include Taiwan, the Hong Kong Special Administrative Region of the People's Republic of China or the Macao Special Administrative Region of the People's Republic of China*
"HK$"	*Hong Kong dollars, the lawful currency of Hong Kong*
"RMB"	*Renminbi Yuan, the lawful currency of the PRC*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal business is the manufacture and sale of plywood products and biomass wood pellets (木製生物質顆粒) in China, and both of which are made from wood. The Group's plywood products are mainly made of poplars while the Group uses wood residues (also known as sanshengwu (三剩物)) to produce biomass wood pellets.

The Group is strategically located in Heze City, Shandong Province in China for close access to the local abundant supply of poplars, being the Group's principal raw materials.

The Group also fully utilises raw materials and automated production lines to control the production costs and maintain a high environmental protection standard. The Group's current management team emphasizes stringent quality control in both plywood products and biomass wood pellets, raising the recognition among the customers continuously, making huge contribution to the business growth of the Group.

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), which are mainly made of poplar. Customers usually use the Group's plywood products as materials for interior decoration or furniture making, and some customers trade the Group's plywood products to their downstream customers. Those three types of plywood products serve similar functions to customers of the Group and the main differences are on certain specifications, such as the level of moisture content, the hardness and the water resistance capability. The total revenue of the Group is mainly contributed by the sales of plywood products, which accounted for approximately RMB183.3 million, representing approximately 84.5% of the Group's total revenue for the six months ended 30 June 2018.

Given the strategic location of the production base of the Group in Heze City, Shandong Province in China, there have been abundant resources of poplars, which provides a solid supply bases for the Group's manufacture of plywood products on a sustainable basis. In addition, the Group is one of the major customers in purchasing wood-based raw materials in Heze City, Shandong Province and accordingly, the Group enjoys a stable supply of raw materials for the manufacture of plywood products.

Customers of the Group's plywood products are mainly end users, such as furniture manufacturers, equipment manufacturers, decoration or renovation companies and packing material producers, and there are also some trading companies sourcing plywood products from the Group for on-selling to their downstream customers with or without processing. Most customers of the Group's plywood products are located at Eastern China and Southern China regions. The Group maintains a large customer base for the plywood products and there were totally 93 customers of plywood products for the six months ended 30 June 2018, out of which the five largest customers contributed for approximately 36% of the total revenue of plywood products.

Biomass wood pellets

The Group produces biomass wood pellets using wood residues (also known as sanshengwu (三剩物)). Biomass wood pellets is a relatively cleaner fuel as compared with other traditional forms of fuel, such as coal. Biomass wood pellets also have competitive edge in transport, storage, combustibility and emission as compared to traditional fuel due to its solid nature and its smaller size. Biomass wood pellets contains zero sulfate and phosphorous, therefore no pollution gas and contents would be released after burning. These enable biomass wood pellets to become the symbol of new generation fuel. Customers usually use the Group's biomass wood pellets as fuel to generate energy or trade to their downstream customers.

The Group uses wood residues as raw materials to produce biomass wood pellets. The Group first utilises the wood residues generated internally during the production process of plywood products. The internally generated wood residues bring synergy effect to the Group as free supply of raw materials for producing biomass wood pellets. The Group then sources wood residues locally from wood product manufacturers nearby after using up all internally generated wood residues. Given Heze City, Shangdong Province in China has abundant resources of poplars, there are a large number of wood product manufacturers and therefore the supply of wood residues are also sufficient and at lower costs for the Group's production of biomass wood pellets.

Customers of the Group's biomass wood pellets are mainly end users and there are only limited number of trading companies sourcing biomass wood pellets from the Group for on-selling to their downstream customers. Most customers of the Group's biomass wood pellets are located at Eastern China and Southern China regions. The Group maintains a diversified customer base for the biomass wood pellets and there were totally 41 customers of biomass wood pellets for the six months ended 30 June 2018, out of which the five largest customers contributed for approximately 44% of the total revenue of biomass wood pellets.

Future development

The Group is currently in the process of the construction of the additional production facilities for plywood products and biomass wood pellets, and also construction of new production facilities for the production of poplar veneers, which is the major raw materials for the production of the plywood products. The Ministry of Natural Resources of the

People's Republic of China is in the process of approving the Group's application for the grant of the land for use for the construction of those production facilities. Upon the grant of the land is obtained, the Group will proceed to complete the relevant procedures in obtaining the land use right and complete the construction.

OUTLOOK

Central People's Government of China has taken a number of environmental measures against the pollution issue in China. Those measures have given challenges to the manufacturing industry in China due to the more stringent requirements on the manufacturing process, which results in a higher production cost for manufacturing companies. It also has impact to the Group's suppliers as well, in particular the small local suppliers of the raw materials utilised by the Group for producing the plywood products. Consequently, it has significant impact to the production cost of the Group's plywood products and biomass wood pellets, resulting in a drop in the gross profit margin for both plywood products and biomass wood pellets for the six months ended 30 June 2018. Directors expect that those environmental measures will sustain and the Group will face the same level of pressure on the gross profit margin in the foreseeable future.

FINANCIAL REVIEW

Revenue

The Group experienced a drop in revenue of approximately 15.5%, from approximately RMB256.6 million for the six months ended 30 June 2017 to approximately RMB216.8 million for the six months ended 30 June 2018. Such drop in revenue was attributed to the drop in sales for both plywood products and biomass wood pellets for the six months ended 30 June 2018. Revenue arising from plywood products dropped from approximately RMB209.1 million for the six months ended 30 June 2017 to approximately RMB183.3 million for the six months ended 30 June 2018, and revenue arising from biomass wood pellets dropped from approximately RMB47.6 million for the six months ended 30 June 2017 to approximately RMB33.5 million for the six months ended 30 June 2018.

Central People's Government of China started taking a more stringent control on environmental measures since second half of last year, including but not limited to, a more frequent visit to the production plants for inspection of the emission level of pollutants and such environmental measures caused interruption to the Group's production plans to both products. Accordingly, the Group's production capacity was dropped for the six months ended 30 June 2018, resulting in completion of fewer purchase order from the Group's customers.

Gross profit

The overall gross profit margin of the Group dropped from approximately 22.7% for the six months ended 30 June 2017 to approximately 15.1% for the six months ended 30 June 2018. The more stringent control on environmental measures taken by Central People's Government of China has significant impact on the Group's local suppliers, causing an increase in the purchase cost of poplar plywood cores and wood residue, which are the major raw materials utilised for the production of the Group's plywood products and biomass wood pellets respectively.

Other income

The Group's other income mainly represented income earned from refund of value-added tax arising from the sales of the Group's biomass wood pellets, and also income from sales of poplar core being the residuals generated from the production the Group's plywood products. The Group maintained similar level of other income for the six months ended 30 June 2018.

Selling and distribution expenses

The Group's selling and distribution expenses mainly represented employee benefit expenses incurred for the sales team and also the operating costs for the sales office located in Fujian Province for the six months ended 30 June 2018.

Administrative expenses

The Group's administrative expenses mainly represented research and development expenses, directors' remuneration, employee benefits expenses for administrative staff, loss on impairment of trade receivables, depreciation expenses on office buildings and office equipment, and legal and professional expenses.

Decrease in the Group's administrative expenses from approximately RMB16.6 million for the six months ended 30 June 2017 to approximately RMB13.3 million for the six months ended 30 June 2018 was mainly due to less impairment loss on trade receivables recorded during the six months ended 30 June 2018.

Finance costs

The Group's finance costs represented interest charged by financial institutions in China and also amortised interest in respect of the individual bonds issued by the Company for the six months ended 30 June 2018.

The slight decrease in the Group's finance costs from approximately RMB2.6 million for the six months ended 30 June 2017 to approximately RMB2.4 million for the six months ended 2018 was mainly due to the lower average borrowing level for the six months ended 30 June 2018 given similar average effective interest rates were enacted by financial institutions and individual bond subscribers for both periods.

Income tax expenses

The Group's income tax expenses represented the current income tax and deferred income tax charged on operating profits earned in China by the Group's subsidiaries established in China and the statutory tax rate applied is 25%.

The Group's effective tax rate for the six months ended 30 June 2018 is approximately 28.9%, as compared the rate of approximately 26.3% for the six months ended 30 June 2017. Increase in the effective tax rate for the six months ended 30 June 2018 was mainly because of the increase in administrative expenses in Hong Kong office for the six months ended 30 June 2018, for which they are not deductible for income tax purpose.

The significant decrease in income tax expenses from approximately RMB10.7 million for the six months ended 30 June 2017 to approximately RMB5.6 million for the six months ended 30 June 2018 was in line with the drop in the profit before tax for the six months ended 30 June 2018.

Total comprehensive income attributable to the shareholders of the Company

The Group's total comprehensive income attributable to the shareholders of the Company dropped from approximately RMB30.1 million for the six months ended 30 June 2017 to approximately RMB13.7 million for the six months ended 30 June 2018, which was mainly attributed by the decrease in the sales of both plywood products and biomass wood pellets, and also the increase in purchase costs of raw materials for production of both products for the six months ended 30 June 2018.

Property, plant and equipment

The Group currently has two production plants in Heze City, Shandong Province, China for the production of plywood products and biomass wood pellets respectively. In addition, the Group has contributed approximately RMB40.4 million for the expansion of the existing production plants for both plywood products and biomass wood pellets, and also for the construction of a new production plant for the production of plywood veneer, one of the major raw materials for the production of plywood products, and they were still under construction as at 30 June 2018. During the six months ended 30 June 2018, the Group has minimal purchase of items of property, plant and equipment.

As at 30 June 2018, the Group's items of property, plant and equipment with carrying amount of approximately RMB55.9 million were pledged to the financial institutions as security for some of the bank borrowings advanced to the Group.

Inventory

The Group's inventory balance comprised of raw materials, work in progress and finished goods for both plywood products and biomass wood pellets. Increase in balance from approximately RMB89.0 million as at 31 December 2017 to approximately RMB105.0 million as at 30 June 2018 was mainly due to more raw materials stored up as at 30 June 2018 to support the upcoming production of plywood products in the third quarter of 2018.

Trade receivables

The Group's trade receivables balance as at 30 June 2018 mainly represented outstanding balance from customers of plywood products. There was an increase in trade receivables balance before allowance for impairment of approximately RMB153.2 million from approximately as at 31 December 2017 to approximately RMB167.4 million as at 30 June 2018, which is mainly attributed to delay in settlement by limited customers.

The Group has performed an impairment assessment on those aged outstanding balance from customers as at 30 June 2018 using the expected credit loss approach. Approximately RMB6.8 million of provision for impairment of trade receivables balance was recorded as at 30 June 2018. Notwithstanding, management of the Group is following up closely for all outstanding balances to minimise any losses to the Group.

Cash and cash equivalents

The Group's cash and cash equivalents mainly represented bank balance deposited in creditworthy financial institutions located in China. Most of the bank balances are denominated in RMB. Decrease in balance during the six months ended 30 June 2018 was mainly due to fund of approximately RMB73.9 million utilised for purchase of raw materials for upcoming production of plywood products.

Borrowings

The source of debt financing of the Group was mainly from financial institutions in China and also individual bondholders.

As at 30 June 2018, the Group had bank borrowings of RMB42 million advanced from financial institutions located in China, increasing from RMB27 million as at 31 December 2017. All of the bank borrowings are current in nature and subject to renewal upon maturity. Certain items of property, plant and equipment and also the land use rights with carrying amounts of approximately RMB78.6 million were pledged to the financial institutions to secure the bank borrowings advanced to the Group.

In addition to the bank borrowings, the Group issued long-term straight bonds to some individuals as another channel of financing to the Group. As at 30 June 2018, the Group has outstanding bonds with a total principal amount of approximately RMB23.6 million. The maturity periods of the bonds issued by the Group range from 3 years to 7.5 years. The Group considers them as a supplement to the Group's short-term borrowings to support the Group's long-term expansion.

All of the borrowings were arranged at fixed interest rates.

FINANCIAL INFORMATION

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2018

	Note	**Unaudited** Six months ended 30 June **2018** ***RMB'000***	Unaudited 2017 *RMB'000*
Revenue	*4*	**216,799**	256,614
Cost of sales		**(184,150)**	(198,250)
Gross profit		**32,649**	58,364
Selling and distribution expenses		**(556)**	(759)
Administrative expenses		**(13,304)**	(16,638)
Other income		**3,234**	3,466
Other losses — net		**(270)**	(1,126)
Operating profit	*5*	**21,753**	43,307
Finance income		**8**	15
Finance costs		**(2,422)**	(2,551)
Finance costs — net		**(2,414)**	(2,536)
Profit before income tax		**19,339**	40,771
Income tax expense	*6*	**(5,598)**	(10,720)
Profit for the period		**13,741**	30,051
Comprehensive income for the period		**—**	—
Total comprehensive income for the period and attributable to the shareholders of the Company		**13,741**	30,051
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB cents per share)			
– Basic and diluted	*7*	**1.53**	4.03

Interim condensed consolidated balance sheet

As of 30 June 2018

	Note	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Assets			
Non-current assets			
Land use rights		**24,830**	25,106
Property, plant and equipment		**161,480**	164,417
Deferred income tax assets		**1,449**	920
Prepayment		**3,150**	3,150
		190,909	193,593
Current assets			
Inventories		**104,991**	88,955
Trade and other receivables	*8*	**199,562**	159,572
Cash and cash equivalents		**40,213**	74,263
		344,766	322,790
Total assets		**535,675**	516,383
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*9*	**7,906**	7,906
Share premium	*9*	**185,321**	185,321
Capital and other reserves		**50,888**	50,888
Retained earnings		**202,640**	188,899
Total equity		**446,755**	433,014
Liabilities			
Non-current liabilities			
Borrowings	*10*	**22,927**	22,709
Deferred income		**380**	393
Deferred income tax liabilities		**788**	26
		24,095	23,128
Current liabilities			
Trade and other payables	*11*	**11,249**	17,634
Current income tax liabilities		**10,240**	14,998
Borrowings	*10*	**43,336**	27,609
		64,825	60,241
Total liabilities		**88,920**	83,369
Total equity and liabilities		**535,675**	516,383

Notes:

1 GENERAL INFORMATION

The Group is principally engaged in the manufacturing and sales of plywood and biomass wood pellets in Heze city, Shandong Province, the PRC.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company completed its listing and initial public offering on 19 December 2016 and its shares have been listed on The Stock Exchange of Hong Kong Limited since 19 December 2016.

This condensed consolidated interim financial information is presented in RMB, unless otherwise stated.

This condensed consolidated interim financial information has been reviewed by the audit committee of the Company.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied for this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2017 except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

The following new or amended standards became applicable for the current reporting period:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed below.

(i) IFRS 9 Financial Instruments — impact of adoption

IFRS 9 was generally adopted without restating any comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There is no significant impact on the classification and measurement of its financial assets as the Group does not have:

- debt instruments that are classified as available-for-sale financial assets;
- debt instruments classified as held-to-maturity and measured at amortised cost; or
- equity investment measured at fair value through profit or loss.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to IFRS 9.

The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules have aligned the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The Group has trade receivables and notes receivables for sales of products that are subject to IFRS 9's new expected credit loss model, and the Group revised its impairment methodology under IFRS 9 for these receivables.

Based on the assessments undertaken, the Group does not identify material change to the loss allowance for trade debtors.

(ii) IFRS 9 Financial Instruments — accounting policies applied from 1 January 2018

Financial assets — impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, no material impairment loss was identified.

(iii) IFRS 15 Revenue from Contracts with Customers — impact of adoption

The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) was recognised in retained earnings as of 1 January 2018 and that comparatives were not restated.

The Group manufactures and sells plywood and biomass wood pellets.

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned was immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

The Group did not introduce any customer loyalty programme or volume discounts based on aggregate sales over a period time.

The Group does not incur costs to fulfil a contract which should be capitalised as they relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered.

The Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

As a result, the adoption of IFRS 15 did not result in any net impact on the profit for the period as the timing of revenue recognition on sales of products is not changed.

(iv) IFRS 15 Revenue from Contracts with Customers — accounting policies applied from 1 January 2018

Revenue Recognition

The Group manufactures and sells plywood and biomass wood pellets business.

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer or picked up by carriers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location or have been picked up by carriers. The risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered or picked up as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4 REVENUE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Total segment revenue		
– Sales of plywood products	**183,262**	209,060
– Sales of biomass wood pellets	**38,309**	53,090
Inter-segment revenue	**(4,772)**	(5,536)
	216,799	256,614

5 OPERATING PROFIT

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work-in-progress	**897**	(18,118)
Raw materials and consumables used	**167,214**	200,832
Employee benefit expenses	**13,577**	13,569
Depreciation and amortisation	**3,316**	2,878
Provision for receivables impairment	**578**	3,407
Refund of value added tax	**(1,628)**	(1,664)

6 INCOME TAX EXPENSE

PRC profits tax has been provided at the rate of 25% on the estimated assessable profit for the period.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current income tax	**5,365**	11,068
Deferred income tax	**233**	(348)
Total income tax	**5,598**	10,720

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) British Virgin Islands profits tax

The Company's subsidiary in the British Virgin Islands ('BVI') is exempted from BVI income tax, as it is incorporated under the International Business Companies Act of the BVI.

(iii) 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 profits tax rate is 16.5% (30 June 2017: 16.5%) for the period.

(iv) PRC corporate income tax ("CIT")

CIT is provided on the assessable income of entities within the Group incorporated in the PRC. The applicable CIT rate is 25% (30 June 2017: 25%) for the period.

(v) PRC withholding income tax

According to the new CIT 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. During the period, no withholding tax has been provided as the directors have confirmed that the Group does not expect the PRC subsidiaries to distribute the retained earnings as at 30 June 2018 in the foreseeable future.

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2018 and 2017 are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit attributable to the shareholders of the Company	**13,741**	30,051
Weighted average number of ordinary shares in issue (thousands)	**896,400**	746,254
Basic earnings per share (RMB cents per share)	**1.53**	4.03

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the six months ended 30 June 2018 and 2017, the diluted earnings per share is equal to basic earnings per share, as there were no instruments outstanding that could have a dilutive effect on the Company's ordinary shares.

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
Trade receivables	**167,408**	153,180
Less: provision for impairment of trade receivables	**(6,810)**	(6,232)
Trade receivables — net	**160,598**	146,948
Notes receivables	**200**	—
Other receivables	**827**	955
Trade and other receivables excluding prepayments	**161,625**	147,903
Prepayments for raw materials	**37,937**	11,669
Prepayments for land use rights	**3,150**	3,150
	202,712	162,722
Less: Prepayment (non-current portion)	**(3,150)**	(3,150)
	199,562	159,572

The Group has a large number of customers, mainly in Fujian Province, Guangdong Province and Zhejiang Province of the PRC. There is no concentration of credit risk with respect to trade receivables. Majority of the Group's sales are with credit terms. Major customers with good repayment history are normally offered credit terms of no more than six months.

As at 30 June 2018 and 31 December 2017, the aging analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
Up to 3 months	**94,176**	91,577
4 to 6 months	**29,573**	29,266
7 to 12 months	**16,369**	26,044
Over 1 year	**27,290**	6,293
	167,408	153,180
Less: provision for impairment	**(6,810)**	(6,232)
	160,598	146,948

9 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares *'000*	Amount: Share capital *RMB'000*	Amount: Share premium *RMB'000*	Amount: Total *RMB'000*
Balance at 1 January 2018 and 30 June 2018	894,600	7,906	185,321	193,227
Balance at 1 January 2017	720,000	6,393	95,750	102,143
Issue of shares via exercising over-allotment option *(Note)*	27,000	242	15,262	15,504
Balance at 30 June 2017	747,000	6,635	111,012	117,647

Note: On 6 January 2017, an aggregate of 27,000,000 ordinary shares of the Company were issued at a price of HK$0.70 pursuant to the exercise of an over-allotment option in connection with the initial public offering of the Company in December 2016. The gross proceeds raised was HK$18,900,000 (approximately RMB16,907,000). The transaction costs of RMB1,403,000 were debited to the share premium account.

10 BORROWINGS

	As at 30 June 2018 ***RMB'000***	As at 31 December 2017 *RMB'000*
Non-current		
Bonds (a)	**22,927**	22,709
Current		
Bonds (a)	**662**	609
Loan from the controlling shareholder	**674**	—
Short-term bank borrowings, secured	**42,000**	27,000
	43,336	27,609
Total Borrowings	**66,263**	50,318

(a) The Company has issued bonds with coupon rates ranging from 6.0% to 6.5% in Hong Kong to individual third parties. The maturity periods of these bonds ranges from 36 months to 90 months and interests will be payable every year.

The Group's bank borrowings were secured by plants of the Group with net book value of approximately RMB55,850,000 (31 December 2017: RMB57,276,000), land use rights of the Group with net book value of RMB22,735,000 (31 December 2017: RMB22,957,000), as of 30 June 2018. The borrowings were also supported by guarantees from related parties.

The carrying amounts of the Group's borrowings from banks were denominated in RMB and approximated their fair values at the respective balance sheet dates.

11 TRADE AND OTHER PAYABLES

	As at 30 June 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Trade payables	**2,224**	4,916
Employee benefit payables	**2,569**	4,587
Other taxes payable	**1,837**	3,670
Advances from customers	**1,255**	827
Payable for professional fees in respect of initial public offering	**843**	836
Others	**2,521**	2,798
	11,249	17,634

As at 30 June 2018 and 31 December 2017, the aging analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Within 3 months	**2,091**	4,864
4 to 6 months	**81**	52
More than 6 months	**52**	—
	2,224	4,916

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect for the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of the subsidiaries of the Company purchased, redeemed or sold the listed securities of the Company during the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018 including the accounting principles and practices adopted by the Group.

By order of the Board
Da Sen Holdings Group Limited
KE Mingcai
Chairman

Hong Kong, 31 August 2018

As at the date of this announcement, the executive Directors are Mr. KE Mingcai, Mr. WANG Songmao, Mr. ZHANG Ayang and Mr. WU Shican; and the independent non-executive Directors are Mr. SHAO Wanlei, Mr. LIN Triomphe Zheng and Mr. WANG Yuzhao.