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 2020

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 2020.

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*
"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 manufacturing and sale of plywood products and biomass wood pellets (木製生物質顆粒) in China, 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 to 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 and 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 poplars. 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 in 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 RMB80.1 million, representing approximately 96.4% of the Group's total revenue for the six months ended 30 June 2020.

The strategic location of the production base of the Group in Heze City, Shandong Province in China, which has abundant resources of poplars, provides solid and sustainable supply for the Group's manufacture of plywood products. In addition, since the Group is one of the major customers for 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. There was a total of 61 customers of plywood products for the six months ended 30 June 2020, out of which the five largest customers contributed to approximately 50.4% of the total revenue of plywood products of which approximately 23.7% of revenue were derived from two external customers that exceeded 10% of the total revenue of the Group for the six months ended 30 June 2020.

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 clean 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 contain zero sulfate and phosphorous, therefore no polluting 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 to trade to their downstream customers.

Despite the Group's biomass wood pellets is considered as one of the clean and new alternative energy sources which fit in the recent environmental policy of the Central People's Government of the PRC, its increasing production cost and delivery cost as compared to other traditional energy sources have become hurdles to the potential buyers. In addition, there have been measures from local Government departments of certain cities in PRC to promote use of natural gas and reduce the use of combustion boiler, in which biomass wood pellets are burned to generate energy, for even better local environmental protection. Such measures have negative impact to the demand of the Group's biomass wood pellets. The Group recorded a significant drop in the sales of the biomass wood pellets since 2019. During the six months ended 30 June 2020, the Group recorded a revenue of approximately RMB3.0 million, representing a drop of approximately 60.8% from approximately RMB7.5 million for the six months ended 30 June 2019. The Group has been and will continue to explore other business opportunities and may consider closing down the business on biomass wood pellets should we identify any other options for bringing higher value to the shareholders of the Company.

OUTLOOK

During the six months ended 30 June 2020, the Group made discounted sales for its products in response to the outbreak of COVID-19, which caused a significant drop in market demand for the Group's products. With encouraging signs of economic recovery following the abatement of COVID-19, management of the Group estimates that the momentum of economic recovery would continue to pick up and the market demand would gradually resume to normal. Accordingly, the selling prices and sales volumes of the Group's products are also estimated to increase contributing a better operating profit to the Group.

The outbreak of COVID-19, the Sino-US trade war and economic downturn in the PRC partly contributed to the poor financial performance of the Group. Going forward, the Board will review its management structure and competence, closely monitor the operational and financial performance of the Group and further strengthening of the systems of internal control, with a view to properly restructure the Group by diversifying its business while strengthening its management capabilities.

The Board will also explore opportunities in solicitating strategic investors and business partners with the aim of expanding the business scope, sales and distribution network and operational capabilities of the Group.

FINANCIAL REVIEW

Revenue

The Group experienced a drop in revenue of approximately 46.4%, from approximately RMB155.1 million for the six months ended 30 June 2019 to approximately RMB83.1 million for the six months ended 30 June 2020. 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 2020. Revenue arising from plywood products dropped from approximately RMB147.6 million for the six months ended 30 June 2019 to approximately RMB80.1 million for the six months ended 30 June 2020, and revenue arising from biomass wood pellets dropped from approximately RMB7.5 million for the six months ended 30 June 2019 to approximately RMB3.0 million for the six months ended 30 June 2020.

The outbreak of the novel coronavirus disease ("**COVID-19**") during the first half of 2020 had significant impact on the global economic activities. Consequently, the Group's customers reduced their purchase orders on plywood products. As an interim measure to improve liquidity, the Group made the decision to lower the selling price for the Group's plywood products during the six months ended 30 June 2020, which contributed to the overall drop in the Group's revenue from plywood products.

The Central People's Government of China has taken a more stringent approach on environmental measures and some of the Group's customers on biomass wood pellets shifted to use natural gas. Accordingly, the Group's revenue from biomass wood pellets dropped during the six months ended 30 June 2020.

Gross loss/profit

The overall gross loss/profit margin of the Group dropped from a gross profit margin of approximately 9.1% for the six months ended 30 June 2019 to a gross loss margin of approximately 121.3%. The gross loss for the six months ended 30 June 2020 included impairments on inventories and property, plant and equipment balances of approximately RMB33.7 million and approximately RMB28.2 million respectively. Excluding such one-off impairments, the adjusted gross loss margin for the six months ended 30 June 2020 was approximately 46.8%.

Other income

The Group's other income mainly comprised 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. A decrease in the Group's other income from approximately RMB2.0 million for the six months ended 30 June 2019 to approximately RMB1.2 million for the six months ended 30 June 2020 was mainly due to lesser refund of value-added tax on biomass wood pellets received during the six months ended 30 June 2020.

Selling and distribution expenses

The Group's selling and distribution expenses mainly represented employee benefits expenses incurred for the sales team and also the distribution costs for our products for the six months ended 30 June 2020.

Administrative expenses

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

Decrease in the Group's administrative expenses from approximately RMB9.0 million for the six months ended 30 June 2019 to approximately RMB8.1 million for the six months ended 30 June 2020 was mainly due to the decrease in raw materials and consumables used for research and development recorded during the six months ended 30 June 2020.

(Provision for)/reversal of net impairment losses on financial assets

The net impairment losses on financial assets of approximately RMB22.6 million for the six months ended 30 June 2020 was mainly due to the provision for impairment of trade receivables.

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.

The Group maintained similar level of finance costs for both the six months ended 30 June 2019 and 2020.

Income tax expenses

The Group's income tax expenses represented the current income tax and deferred income tax charge/(credit) on operating profits earned/(losses incurred) in China by the Group's subsidiaries established in China and the statutory tax rate applied is 25%.

The amount of deferred tax credit of approximately RMB37.7 million recorded during the six months ended 30 June 2020 was in respect of the tax losses mainly generated by one of the Group's PRC subsidiaries during the period as such tax losses can be utilised to offset against future taxable profits expected to be generated by the corresponding subsidiaries in PRC in the upcoming five years.

Total comprehensive (loss)/income attributable to the shareholders of the Company

The Group's total comprehensive income attributable to the shareholders of the Company dropped from approximately RMB4.4 million for the six months ended 30 June 2019 to total comprehensive loss attributable to the shareholders of the Company of approximately RMB96.4 million for the six months ended 30 June 2020. Decrease in total comprehensive (loss)/income attributable to the shareholders of the Company is mainly due to the reasons stated above.

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. The drop in property, plant and equipment was mainly attributable to the provision for impairment on production operating equipment of RMB28.2 million.

As at 30 June 2020, the Group's items of property, plant and equipment with carrying amount of approximately RMB35.4 million were pledged to the financial institutions as security for certain of the bank borrowings advanced to the Group.

Inventory

The Group's inventory balance comprised raw materials, work in progress and finished goods for both plywood products and biomass wood pellets. A decrease in balance from approximately RMB82.7 million as at 31 December 2019 to approximately RMB36.9 million as at 30 June 2020 was mainly due to the provision for write-down on inventory balance of approximately RMB33.7 million.

Gearing ratio

Our Group's gearing ratio, calculated based on the total interest-bearing debts divided by the total equity, was approximately 19.7% as at 30 June 2020 (approximately 14.8% as at 31 December 2019).

CORPORATE GOVERNANCE

COMPLIANCE

The Company has applied the principles and complied with the applicable code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the standards set out in the Model Code throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company has reviewed this announcement, including the condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

FINANCIAL INFORMATION

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2020

	Note	**Six months ended 30 June**	
		2020	2019
		RMB'000	*RMB'000*
		Unaudited	Unaudited
Revenue	*5*	**83,070**	155,088
Cost of sales		**(183,806)**	(141,038)
Gross (loss)/profit		**(100,736)**	14,050
Selling and distribution expenses		**(433)**	(242)
Administrative expenses		**(8,072)**	(8,965)
(Provision for)/reversal of net impairment losses on financial assets		**(22,607)**	2,216
Other income		**1,234**	1,984
Other (losses)/gains — net		**(566)**	340
Operating (loss)/profit	*6*	**(131,180)**	9,383
Finance income		**5**	4
Finance costs		**(2,941)**	(2,455)
Finance costs — net		**(2,936)**	(2,451)
(Loss)/Profit before income tax		**(134,116)**	6,932
Income tax credit/(expense)	*7*	**37,722**	(2,493)
(Loss)/Profit for the period		**(96,394)**	4,439
Other comprehensive income for the period		**—**	—
Total comprehensive (loss)/income for the period and attributable to the shareholders of the Company		**(96,394)**	4,439
(Losses)/Earnings per share for (loss)/profit attributable to the shareholders of the Company for the period (expressed in RMB cents per share)			
— Basic and diluted	*8*	**(9.89)**	0.49

Interim condensed consolidated balance sheet
As of 30 June 2020

	Note	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
ASSETS			
Non-current assets			
Right-of-use assets		**26,533**	27,270
Prepayments		**5,331**	2,351
Property, plant and equipment		**99,482**	119,675
Deferred income tax assets		**45,002**	7,280
		176,348	156,576
Current assets			
Inventories		**36,902**	82,682
Trade and other receivables	*9*	**167,480**	212,426
Cash and bank balances		**30,145**	51,007
		234,527	346,115
Total assets		**410,875**	502,691
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	*10*	**8,592**	8,592
Share premium	*10*	**212,502**	212,502
Other reserves		**52,942**	52,942
Retained earnings		**34,143**	130,537
Total equity		**308,179**	404,573
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**23,253**	22,736
Deferred income		**330**	342
		23,583	23,078

	Note	**30 June 2020**	31 December 2019
		RMB'000	*RMB'000*
		Unaudited	Audited
LIABILITIES			
Current liabilities			
Trade and other payables	*12*	**34,539**	30,288
Current income tax liabilities		**7,169**	7,177
Borrowings	*11*	**37,405**	37,103
Lease liabilities		**—**	472
		79,113	75,040
Total liabilities		**102,696**	98,118
Total equity and liabilities		**410,875**	502,691

Interim condensed consolidated statement of changes in equity

	Unaudited				
	Equity attributable to the shareholders of the Company				
	Share capital *(Note 10)* *RMB'000*	**Share premium** *(Note 10)* *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2020	8,592	212,502	52,942	130,537	404,573
Total comprehensive loss for the period ended 30 June 2020					
Loss for the period	—	—	—	(96,394)	(96,394)
Balance at 30 June 2020	8,592	212,502	52,942	34,143	308,179
Balance at 1 January 2019	7,906	185,321	52,942	206,118	452,287
Total comprehensive income for the period ended 30 June 2019					
Profit for the period	—	—	—	4,439	4,439
Transactions with the shareholders					
Placing of new shares *(Note 10)*	686	27,181	—	—	27,867
Balance at 30 June 2019	8,592	212,502	52,942	210,557	484,593

Notes:

1 GENERAL INFORMATION

The Group is principally engaged in the manufacturing and sales of wooden products and provision of agricultural and other ancillary services.

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.

These interim condensed consolidated financial statements are presented in RMB, unless otherwise stated.

These interim condensed consolidated financial statements have been reviewed by the audit committee of the Company and have been approved for issue by the Board on 31 August 2020.

2 BASIS OF PREPARATION

This interim condensed consolidated financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial report is to be read in conjunction with the annual report for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICIES

The accounting policies in this interim condensed consolidated financial report applied are consistent with those of the annual financial statements for the year ended 31 December 2019 except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not had to change its accounting policies and make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS 16	Covid-19-related Rent Concessions	1 June 2020

(b) New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to IFRSs 2018–2020		1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4 REVENUE AND SEGMENT INFORMATION

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

i. Manufacturing and sales of plywood; and

ii. Manufacturing and sales of biomass wood pellets fuel.

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

The executive directors assess the performance of the business segments based on profit before income tax without allocation of finance costs, which is consistent with that in the consolidated financial statements.

Approximately 23.7% of revenue were derived from two single external customers that exceeded 10% of the total revenue of the Group for the six months ended 30 June 2020 and no revenue was derived from two single external customers that exceeded 10% of the total revenue of the Group for the six months ended 30 June 2019.

5 REVENUE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Total segment revenue		
– Sales of plywood products	**80,118**	147,558
– Sales of biomass wood pellets	**10,735**	16,266
Inter-segment revenue (biomass wood pellets)	**(7,783)**	(8,736)
	83,070	155,088

6 OPERATING (LOSS)/PROFIT

An analysis of the amounts presented as operating items in the financial information is given below.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work-in-progress	**28,272**	35,400
Raw materials and consumables used	**86,999**	101,026
Employee benefit expenses	**6,368**	8,818
Provision for inventory write-down	**33,717**	—
Provision for impairment charges for property, plant and equipment	**28,168**	—
Depreciation and amortisation	**2,377**	3,048
Depreciation of right-of-use assets	**561**	555
Provision for/(Reversal of) net impairment losses on financial assets	**22,607**	(2,216)
Refund of value added tax ("VAT") *(Note)*	**(299)**	(796)

Note:

Pursuant to the approval by the Economic and Information Technology Committee of Shandong Province, a subsidiary of the Group in the manufacture of biomass wood pellets was entitled to VAT refund of its sales of products which involves comprehensive utilisation of resources.

7 INCOME TAX (CREDIT)/EXPENSE

PRC profits tax is calculated at the rate of 25% (30 June 2019: 25%) on the estimated assessable profit for the period. As a result of there being no assessable profit, no PRC profits tax has been provided for the current period.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current income tax	**—**	1,446
Deferred income tax (credit)/expense	**(37,722)**	1,047
	(37,722)	2,493

(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.

7 INCOME TAX (CREDIT)/EXPENSE – continued

(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% (six months ended 30 June 2019: 16.5%) for the period.

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

CIT is provided on the assessable profit of entities within the Group incorporated in the PRC. The applicable CIT rate is 25% (six months ended 30 June 2019: 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, in respect of earnings generated after 31 December 2007. 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 2020 in the foreseeable future.

8 (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share for the six months ended 30 June 2020 and 2019 are calculated by dividing the (loss)/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	
	2020	2019
(Loss)/profit attributable to the shareholders of the Company (expressed in RMB'000)	**(96,394)**	4,439
Weighted average number of ordinary shares in issue (thousands)	**974,400**	902,433
Basic (losses)/earnings per share (RMB cents per share)	**(9.89)**	0.49

(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 2020 and 2019, the diluted (losses)/earnings per share is equal to basic (losses)/earnings per share, as there were no instruments outstanding that could have a dilutive effect on the Company's ordinary shares.

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Trade receivables (a)	**171,205**	182,828
Less: provision for impairment	**(31,416)**	(8,334)
Trade receivables — net	**139,789**	174,494
Notes receivables	**250**	—
Prepayments		
— Prepayments for raw materials	**17,015**	26,846
— Prepayments for land-use-rights	**5,331**	2,351
Other receivables	**20,746**	21,881
Less: allowance for impairment of other receivables	**(10,320)**	(10,795)
	172,811	214,777
Less: Prepayment (non-current)	**(5,331)**	(2,351)
	167,480	212,426

(a) As at 30 June 2020 and 31 December 2019 the aging analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Up to 3 months	**40,824**	77,568
4 to 6 months	**20,338**	39,707
7 to 12 months	**57,558**	36,491
Over 1 year	**52,485**	29,062
	171,205	182,828

The Group has a large number of customers, mainly in Fujian Province, Guangdong Province and Zhejiang Province. 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.

10 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Amount		
		Share capital	Share premium	Total
	'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020 and 30 June 2020	974,400	8,592	212,502	221,094
At 1 January 2019	896,400	7,906	185,321	193,227
Placing of new shares *(Note)*	78,000	686	27,181	27,867
At 30 June 2019	974,400	8,592	212,502	221,094

Note:

On 17 June 2019, 78,000,000 ordinary shares of the Company were issued at a price of HK$0.41 with a par value of HK$0.01 each. The gross proceeds raised was HK$31,980,000 (approximately RMB28,115,000). The transaction costs of RMB247,000 were debited to the share premium account.

11 BORROWINGS

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Non-current		
Bonds (a)	**23,253**	22,736
Current		
Bonds within one year (a)	**7,705**	7,303
Short-term bank borrowings — secured	**29,700**	29,800
	37,405	37,103
	60,658	59,839

11 BORROWINGS – continued

(a) Bonds

The Company has issued both short-term and long-term bonds with fixed interest rates ranging from 6% to 8% per annum. The tenures of the bonds are between 1 to 7.5 years. The fair values of the bonds approximated their carrying amount as at 30 June 2020.

Bonds with total principal amount of HK$5,500,000 (equivalent to approximately RMB5,024,000) were mature and remained unsettled as at 30 June 2020. The Company received a writ of summons with a statement of claim (the "Writ") on 26 June 2020 against the Company in relation to a liquidated sum of certain matured bonds totaling HK$2,500,000. The Company has engaged a legal advisor to handle the claim under the Writ and is also in the process of arranging funds for settlement to the holders of those matured bonds.

The carrying amount and fair value of non-current borrowings are as follows:

	Carrying amount		**Fair value**	
	As at		**As at**	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bonds	**23,253**	22,736	**23,253**	22,736

Movements in borrowings were analysed as follows:

	RMB'000
Six months ended 30 June 2020	
Opening amount as at 1 January 2020	59,839
Proceeds from bank borrowings	23,900
Repayments of bank borrowings	(23,999)
Amortisation of bonds transaction cost	327
Exchange differences	591
Closing amount as at 30 June 2020	60,658
Six months ended 30 June 2019	
Opening amount as at 1 January 2019	69,226
Proceeds from bank borrowings	32,900
Proceeds from bonds	2,460
Repayments of bank borrowings	(41,000)
Repayments of bonds	(4,252)
Amortisation of bonds transaction cost	193
Exchange differences	(128)
Closing amount as at 30 June 2019	59,399

11 BORROWINGS – continued

As at 30 June 2020, land-use-rights of the Group with a total net book value of RMB19,956,000 (31 December 2019: RMB20,182,000), and plants of the Group with a total net book value of RMB35,379,000 (31 December 2019: RMB41,235,000) were pledged to secure short-term borrowings. The borrowings of RMB19,700,000 were guaranteed by Mr. Ke Mingcai, former executive Director and Chairman of the Company, together with his spouse via guarantee agreements between these individuals and banks; and the remaining short-term borrowings of RMB10,000,000 were guaranteed by Mr. Ke Mingcai together with Mr. Zhang Ayang and Mr Cai Qiren via guarantee agreements between these individuals and banks.

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.

For the six months ended 30 June 2020, the weighted average effective interest rate on borrowings from banks was 6.44% (six months ended 30 June 2019: 7.0%).

12 TRADE, OTHER PAYABLES AND ACCRUALS

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Trade payables (a)	**1,883**	834
Employee benefit payables	**5,728**	5,185
Advances from customers	**2,367**	926
Other taxes payable	**16,453**	15,804
Interest payable	**1,975**	931
Others	**6,133**	6,608
	34,539	30,288

(a) As at 30 June 2020 and 31 December 2019, the aging analysis of the trade payables based on invoice date was as follows:

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Within 3 months	**1,883**	834

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect of the six months ended 30 June 2020.

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 2020.

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 2020.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020 including the accounting principles and practices adopted by the Group.

By order of the Board
Da Sen Holdings Group Limited
CHAI Kaw Sing
Executive Director

Hong Kong, 31 August 2020

As at the date of this announcement, the executive Directors are Mr. CHAI Kaw Sing, Mr. WANG Songmao, Mr. WONG Ben, Mr. WU Shican and Mr. ZHANG Ayang; and the independent non-executive Directors are Mr. SUN Yongtao, Mr. TSO Siu Lun Alan, Mr. WANG Yuzhao and Mr. WONG Wai Keung Frederick.