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 2021

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 2021.

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

Overview

The Group is principally engaged in the manufacturing and sales of wooden products and leasing activities. As the demand for biomass wood pellets has reduced significantly since late 2019 and continued more significantly in the first half of 2020, the Group made the decision to cease the operations of this business segment and leased out part of the biomass wood pellets factories as well as other factories and land which are surplus to the Group with the view to generating a stable recurring rental income.

Plywood Products

The manufacturing and sales of plywood products has contributed significantly to the overall business of the Group. The Group's main production base is strategically located in Heze City, Shandong Province in the PRC.

Given its strategic location of the Group's manufacturing facilities, abundant resources of poplars is available and the Group is able to receive a stable supply for its manufacturing business.

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) to hardwood multi-layered board (實木多層板), which are mainly made of poplars. All our products are customised depending on our customers' needs.

Furniture boards are widely used in interior design and certain household furniture, such as tables and chairs, because of its strength, appearance and cost. Ecological plywood, which is also known as melamine faced board, is considered to be more environmentally friendly as compared to the traditional lacquered board. In order to satisfy the requisite requirements for the heat pressing process, several heat pressing processes are included in the production of ecological plywood in order to achieve a smooth surface and lower moisture content. Ecological plywood can be used in interior applications of buildings and furniture making. Hardwood multi-layered board is widely used in high-quality furniture, kitchen furniture and bathroom furniture. Generally, hardwood multi-layered boards are of a higher quality due to the quality of its raw materials and a more complicated production process.

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

The total revenue of the Group from continuing operations is mainly contributed by the sales of plywood products, which accounted for approximately 99.2% of the total revenue for six months ended 30 June 2021 (30 June 2020: 100.0%).

The Group maintains a large customer base for the plywood products and there were in total 89 customers of plywood products during the six months ended 30 June 2021, out of which the five largest customers contributed for approximately 49.7% (30 June 2020: approximately 50.4%) of the total revenue of plywood products.

Discontinued Operations of Biomass Wood Pellets and Investment Properties

Despite the Group's biomass wood pellets being considered as one of the newer clean alternative energy sources which fit with 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 an impediment to potential buyers. In addition, certain measures promulgated by the local PRC Government authorities have been implemented in various cities in the PRC to promote the use of natural gas to reduce the use of combustion boiler, in which biomass wood pellets were burnt to generate energy. Such measures have negatively impacted the demand for the Group's biomass wood pellets. The Group recorded a significant drop in the sales of the biomass wood pellets during the year 31 December 2019. The Group has decided to gradually scale down the productions on biomass wood pellets and in the second half of 2020 made the decision to cease the operation of the business. Accordingly, this business has been classified as a discontinued operation.

Since 1 July 2020, the Group has entered into lease agreements to partially lease out the biomass wood pellets factories for agricultural wholesale as well as other factories and land which are surplus to needs in order to generate a stable and recurring rental income.

RECENT DEVELOPMENT

COVID-19 and its Challenges

Since January 2020, there has been a global outbreak of COVID-19 affecting many countries, including the PRC. A series of precautionary and control measures have been adopted and continued to be in place across the PRC and the rest of the world. Given the full impact of COVID-19 to the Group and its customers in the second half of 2020, the management believes COVID-19 has a material impact to the Group's 2020 financial results, and especially its profit margin, cash flow and liquidity needs.

Although the Group's production capacity has resumed to a reasonable level since March 2020 after a temporary suspension of operation in our manufacturing facilities as a precautionary measure against the spread of COVID-19, there has been certain cancellation and postponement of purchase orders on plywood products from the Group's customers. Given the effect of COVID-19, almost all of our customers have requested for substantial price reductions on our plywood products. In the second quarter of 2020, the management made a difficult decision to continue offering substantial discounts to maintain normal production levels on the plywood products and to retain our customers.

As COVID-19 persisted in the second half of 2020 with no signs of market conditions improving, the management had no choice but to continue offering its products at a substantial discount due to weak demand from our customers. The price reductions have affected the profitability of our business in the short run and in turn further reduced our profit margins. As most of our customers (especially those in the furniture sector) export to certain countries where COVID-19 cases have surged in the second half of 2020, certain of our customers have similar experience with their own business and financial difficulties due to lockdown restrictions which had been imposed.

In the first six months of 2021, the Company has gradually improved the profit margins of its plywood products by increasing its price and cost control and reduction. For the Group's plywood business, the Group was also able to generate a good sales volume in the first six months of 2021 (40,979 m^3 in first six months of 2021 as compared with 49,064 m^3 in first six months of 2020), as well as revenue (approximately RMB81.5 million in first six months of 2021 as compared with approximately RMB80.1 million in first six months of 2020).

Scheme of Arrangement and Open Offer

References are made to the announcements of the Company dated 30 November 2020, 8 January 2021, and 18 May 2021 (the "**Announcements**") in relation to the proposed debt restructuring (the "**Proposed Restructuring**"). Unless otherwise stated, the terms used in this section have the same meanings as those defined in the Announcements.

On 30 November 2020, the Board, having considered the latest financial position of the Group, resolved to implement a debt restructuring plan which includes, among others, the Creditors Scheme. On 8 January 2021, the Board further resolved to implement the Open Offer to fund the implementation of the Creditor Schemes.

In light of the uncertainties cast by the outbreak of COVID-19, the Sino-US trade war and economic downturn in the PRC, the Group's business has been adversely affected since the beginning of 2020. The PRC main operating subsidiaries of the Company have been making losses in 2019 and first half of 2020.

The Company has received several writs of summons with a total statement of claim of approximately HK$5.6 million issued in the District Court of the Hong Kong (the "**Court**") by certain bondholders against the Company, which have been disclosed in the announcements of the Company dated 29 June 2020, 3 September 2020 and 24 September 2020 and 17 February 2021, respectively. The Company has also received a statutory demand pursuant to section 178(1)(a) or section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong) from one of its bondholders on 19 January 2021 for the claim of HK$0.1 million, being the unpaid interest of the bond in the principal amount of HK$2.0 million issued by the Company to that bondholder.

For the two writs of summons as disclosed in the announcements of the Company dated 29 June 2020 and 24 September 2020, the Court has granted orders of the Summons in favor of the Plaintiffs and the Company has provided updates for these legal proceedings in the announcements of the Company dated 20 July 2021 and 4 August 2021, respectively.

The Company, being an investment holding company, does not hold any material asset, business or operation other than holding interests in its subsidiaries. Since the Company's subsidiaries have experienced a series of events including, among others, the Sino-US trade war and COVID-19 pandemic which caused serious deterioration to their financial condition, the Directors estimate that the Company (as the ultimate holding company of the Group) would likely receive minimal or nil distribution and/or recovery from its subsidiaries from realisation or disposal of the underlying entities, assets and/or businesses after settlement of each of the subsidiaries' own indebtedness.

After due and careful consideration, and in light of the legal proceedings in relation to the bonds issued by the Company (the "**Bonds**") initiated by certain bondholders against the Company, the Board is of the view that a restructuring of its existing debts and liabilities under the Bonds, coupled with an injection of new capital into the Company by interested shareholder(s) and investor(s), represent the only realistic and effective way which would allow the Company to offer a higher return to the bondholders in return for discharging and releasing their respective claims against the Company under the Bonds pursuant to the Scheme. The Board believes that, the successful implementation of a debt restructuring plan will allow the Company to reduce its indebtedness, leaving the Group with a sustainable capital structure and continue to operate on a going concern basis.

The Company has appointed Ernst & Young Transactions Limited as its restructuring adviser (the "**Restructuring Adviser**") to assist the Company regarding the Proposed Restructuring. The Company will continue to work closely with the Restructuring Adviser and its other professional advisers to expedite the implementation of the Proposed Restructuring and will disclose any material development as and when appropriate by way of publishing announcement(s).

Disposal of Non-Core Assets in China

References are made to the announcements of the Company dated 28 June 2021 and 30 August 2021 in relation to the civil lawsuits filed against the indirectly wholly-owned subsidiaries of the Company incorporated in the PRC for overdue bank borrowings (the "**Overdue Bank Borrowings**"). On 21 August 2021, the Court of Chengwu Country of Shangdong Province of the PRC handed down a judgment on one of the Company's PRC subsidiaries requiring it to repay to the bank the outstanding principal amount of RMB7,441,641.41 together with interest and costs. Further details of this are set out in the announcement of the Company dated 30 August 2021.

The Company has been in discussions with a number of potential independent buyers on a possible disposal of certain non-core assets of the Group to repay the Overdue Bank Borrowings and believes that a successful disposal will allow the Group to settle all of the Overdue Bank Borrowings.

OUTLOOK

The management believes that market conditions are gradually improving in 2021 despite the uncertainties surround COVID-19, when comparing to 2020 and, barring any unforeseen circumstances, expects such improvements to continue.

Plywood Products

The management has seen improvements in both the sales volume and the pricing of its plywood products in the first half of 2021. As vaccines are now widely adopted in the PRC and the Western countries, the management has seen a gradual surge in demand in the products of our customers and in turn the demand for our plywood products. We remain confident in the long-term competitiveness of our plywood products, given our years of development experience in the production process and quality control, and our ability to meet the needs of our customers. We will continue to leverage on our strategic advantage of having quality poplar supplies in our neighbourhood as the world recovers from the impact of COVID-19.

Going forward, the Group will also review the prospect of capturing the low to middle end plywood market and explore the prospects of developing, along the furniture supply chain, the manufacturing, sales and distributions of furniture in the longer term. The low to middle end plywood market will allow the Group to serve both domestic and international end users, and if successfully implemented is expected to reduce the degree of the Group's sole reliance on demand from international customers.

The longer term prospects of entering into the furniture business, if successfully implemented, is expected to allow the Group to capture the more profitable parts of the furniture supply chain with significant improvement to the overall gross profit and gross profit margin.

China Opportunities
With COVID-19 under control in China and the domestic market demonstrating a recovery in demand, the management will also make a proactive effort to optimize and diversify its plywood business to focus on business opportunities within China.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed elsewhere in this announcement, the Group did not carry out any material acquisition or disposal of any subsidiary, associate or joint venture during the six months ended 30 June 2021.

FINANCIAL INFORMATION

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2021

	Note	**Six months ended 30 June** **2021** ***RMB'000*** **Unaudited**	2020 *RMB'000* Unaudited (Restated)
Continuing operations			
Revenue	*5*	**82,113**	80,118
Cost of sales	*6*	**(95,684)**	(180,023)
Gross loss		**(13,571)**	(99,905)
Selling and distribution expenses	*6*	**(543)**	(416)
Administrative expenses	*6*	**(15,130)**	(4,900)
Provision for impairment losses on financial assets	*6*	**(888)**	(9,010)
Other income		**18**	959
Other losses — net		**(20)**	(4,236)
Operating loss from continuing operations		**(30,134)**	(117,508)
Finance income		**—**	5
Finance costs		**(2,561)**	(2,689)
Finance costs — net		**(2,561)**	(2,684)
Loss before income tax from continuing operations		**(32,695)**	(120,192)
Income tax credit	*7*	**—**	36,688
Loss for the period from continuing operations		**(32,695)**	(83,504)
Discontinued operation			
Loss for the period from discontinued operation	*13*	**—**	(12,890)
Total comprehensive loss for the period and attributable to the shareholders of the Company		**(32,695)**	(96,394)
Losses per share for the period from continuing operations attributable to the shareholders of the Company			
(expressed in RMB cents per share) — Basic and diluted	*8*	**(3.36)**	(8.57)
Loss per share for the period from discontinued operation attributable to the shareholders of the Company			
(expressed in RMB cents per share) — Basic and diluted	*8*	**N/A**	(1.32)

Interim condensed consolidated balance sheet
As of 30 June 2021

	Note	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
ASSETS			
Non-current assets			
Right-of-use assets		**10,384**	10,579
Property, plant and equipment		**53,474**	54,813
Investment properties		**45,181**	45,878
Total non-current assets		**109,039**	111,270
Current assets			
Inventories		**34,902**	47,228
Trade and other receivables	*9*	**101,147**	111,354
Cash and bank balances		**423**	5,763
Total current assets		**136,472**	164,345
Total assets		**245,511**	275,615
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
Accumulated losses		**(137,460)**	(104,765)
Total equity		**136,576**	169,271
LIABILITIES			
Non-current liabilities			
Deferred income		**304**	317
		304	317

	Note	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	**42,654**	40,922
Current income tax liabilities		**7,168**	7,168
Borrowings	*12*	**58,809**	57,937
		108,631	106,027
Total liabilities		**108,935**	106,344
Total equity and liabilities		**245,511**	275,615

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/ Accumulated losses** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2021	8,592	212,502	52,942	(104,765)	169,271
Total comprehensive loss for the period ended 30 June 2021					
Loss for the period	—	—	—	(32,695)	(32,695)
Balance at 30 June 2021	8,592	212,502	52,942	(137,460)	136,576
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

Notes:

1 GENERAL INFORMATION

The Group is principally engaged in the manufacturing and sales of wooden products and leasing activities.

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.

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

These interim condensed consolidated financial information have been reviewed by the audit committee of the Company and have been approved for issue by the Board on 31 August 2021.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the half-year reporting period ended 30 June 2021 has been prepared in accordance with International Accounting Standards ("**IAS**") 34, "Interim Financial Reporting". The interim condensed consolidated financial information also comply with the applicable disclosure requirements of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 2020, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

Going Concern

Going concern basis

The Directors 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 the Proposed Restructuring, including the bonds borrowings (Note 12(a)) and the interests accrued and other liabilities, in Hong Kong, by way of implementing a creditors scheme ("**Scheme**"). The Group has been in active negotiations with the bond holder creditors to seek their support to the Scheme. On the best estimate of the Directors, the Scheme will be implemented in 1st quarter of 2022 and the Proposed Restructuring will also be completed in 1st quarter of 2022;

(ii) On 8 January 2021, the Company announced a proposed open offer ("**Open Offer**") to raise fund for the implementation of the Scheme. Details of which have been disclosed in the Company's announcement dated 8 January 2021;

2 BASIS OF PREPARATION – continued

Going Concern – continued

Going concern basis – continued

(iii) The Group has been in active contact with the respective banks in the PRC regarding the repayment arrangement of the Group's bank borrowings in the PRC subsidiaries. In respect of the three overdue bank borrowings totalling RMB26,307,000 as at 30 June 2021, the Group has been in discussion with potential buyers to dispose certain land and buildings of its subsidiaries in the PRC so as to raise additional cash; and

(iv) The Group will continue its efforts to implement measures to strengthen its working capital position by managing impact from COVID-19 outbreak, improving its sales, expediting collection of outstanding trade and other receivables and sales of inventories, as well as controlling cost and capital expenditures.

The Directors have reviewed the Group's cash flow projections prepared by management 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. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements for the six months ended 30 June 2021 on a going concern basis.

3 CHANGES IN 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 2020 except for the adoption of new and amended standards as set out below.

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

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

4 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:

Continuing operations:

— Manufacturing and sales of plywood;

— Leasing activities

Discontinued operation:

— Manufacturing and sales of biomass wood pellets.

The Group was previously engaged in the manufacturing and sales of plywood and biomass wood pellets in the PRC. 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. The Group also leased out other land and factory buildings of the PRC subsidiaries which were surplus to needs in order to generate a stable and recurring rental income. Accordingly, leasing activities has become a new business segment of the Group and the cessation of biomass wood pellets operation is presented as a discontinued operation in the consolidated financial statements of the Group for the six months ended 30 June 2021 with the comparatives for the corresponding six months of 2020 restated to conform with the current period's presentation.

No geographical segment information is presented as all the revenue and operating losses 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 loss before income tax without allocation of finance costs, which is consistent with that in the consolidated financial statements.

Approximately 25.4% 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 2021 and 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.

5 REVENUE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		(Restated)
Continuing operations		
— Sales of plywood products	**81,452**	80,118
— Rental income	**661**	—
	82,113	80,118
Discontinued operation		
— Sales of biomass wood pellets *(note 13)*	**—**	2,952

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		(Restated)
Changes in inventories of finished goods and work-in-progress	**19,036**	28,272
Raw materials and consumables used	**60,923**	86,999
Employee benefit expenses	**4,879**	6,368
(Reversal of) / provision for inventory write-down	**(474)**	33,717
Provision for impairment charges for property, plant and equipment	**—**	28,168
Depreciation of property, plant and equipment	**1,339**	2,377
Depreciation of right-of-use assets	**195**	561
Provision for net impairment losses on financial assets	**888**	9,010

7 INCOME TAX CREDIT

PRC profits tax is calculated at the rate of 25% (30 June 2020: 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	
	2021	2020
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		(Restated)
Current income tax	**—**	—
Deferred income tax credit	**—**	37,722
Represented by:		
Total income tax credit from continuing operations	**—**	36,688
Total income tax credit from discontinued operation *(Note 13)*	**—**	1,034
	—	37,722

8 LOSSES PER SHARE

(a) Basic

Basic losses per share for the six months ended 30 June 2021 and 2020 are calculated by dividing the loss attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Loss attributable to the shareholders of the Company		
From continuing operations	**(32,695)**	(83,504)
From discontinued operation	**—**	(12,890)
	(32,695)	(96,394)
Weighted average number of ordinary shares in issue (thousands)	**974,400**	974,400
Basic losses per share (RMB cents per share)		
From continuing operations	**(3.36)**	(8.57)
From discontinued operation	**—**	(1.32)
	(3.36)	(9.89)

8 LOSSES PER SHARE – continued

(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 2021, the diluted losses per share is equal to basic losses 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 2021	31 December 2020
	RMB'000	*RMB'000*
Trade receivables *(note)*	**169,568**	170,825
Less: provision for impairment	**(82,841)**	(81,953)
Trade receivables — net	**86,727**	88,872
Prepayments for raw materials	**7,514**	14,195
Other receivables	**24,877**	26,258
Less: provision for impairment	**(17,971)**	(17,971)
	101,147	111,354

Note:

As at 30 June 2021 and 31 December 2020 the aging analysis of the trade receivables based on invoice date was as follows:

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
Up to 3 months	**36,232**	41,744
4 to 6 months	**11,747**	19,146
7 to 12 months	**39,864**	31,517
Over 1 year	**81,725**	78,418
	169,568	170,825

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. 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. 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.

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, 30 June 2020, 1 January 2021 and 30 June 2021	974,400	8,592	212,502	221,094

11 TRADE AND OTHER PAYABLES

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
Trade payables *(note)*	**876**	714
Employee benefit payables	**6,395**	8,473
Advances from customers	**4,340**	1,643
Other taxes payable	**20,764**	18,359
Interest payable	**2,764**	2,764
Others	**7,515**	8,969
	42,654	40,922

Note:

As at 30 June 2021 and 31 December 2020, the aging analysis of the trade payables based on invoice date was as follows:

	As at	
	30 June 2021	31 December 2000
	RMB'000	*RMB'000*
Within 3 months	**876**	714

12 BORROWINGS

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Current		
Bonds repayable within one year (a)	**32,502**	29,037
Short-term bank borrowings — secured (b)	**26,307**	28,900
	58,809	57,937

(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 2021.

The Company failed to pay the interests of all 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 borrowings amounted to RMB32,502,000 as at 30 June 2021 became immediately repayable if requested by the bond holder creditors, of which RMB8,216,000 represented bonds with original maturity dates within one year, while the remaining RMB24,286,000 represented bonds with original maturity dates beyond 30 June 2021 and were reclassified as current liabilities as at 30 June 2021. In addition, the Company received several writs of summons and a statutory demand with a total statement of claims of approximately HK$5,630,000 issued by certain bond holder creditors against the Company, details of which have been disclosed in the announcements of the Company dated 29 June 2020, 3 September 2020, 24 September 2020, 19 January 2021 and 17 February 2021.

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 of the Company in Hong Kong, including the bonds borrowings and the interests accrued and other liabilities in Hong Kong, by way of implementing a Scheme. The 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).

12 BORROWINGS – continued

(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 net book value of RMB5,418,000 (2020: RMB5,521,000), plants of the Group with net book value of RMB17,216,000 (2020: RMB17,648,000), and investment properties with net book value of RMB32,596,000 (2020: RMB33,099,000) as at 30 June 2021. The bank borrowings were also guaranteed by Mr. Ke Mingcai, an ex-director of the Company, together with his spouse, Mr. Zhang Ayang, an executive Director of the Company and an employee of the Group's PRC subsidiary.

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

The Group has been in active contact with the respective banks in the PRC regarding the repayment arrangement of the Group's bank borrowings in the PRC subsidiaries. In respect of the three overdue bank borrowings totalling RMB26,307,000, following negotiations with the bank, subsequently in April 2021, verbal agreement was reached with the bank for the extension of the repayment period of the three bank borrowings to June 2021 subject to certain partial early repayments.

On 21 August 2021, the Court of Chengwu Country of Shangdong Province of the PRC handed down a judgment on one of the Company's PRC subsidiaries requiring it to repay to a bank the outstanding principal amount of RMB7,441,641.41 together with interest and costs. Further details of this are set out in the announcement of the Company dated 30 August 2021.

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 2021, the weighted average effective interest rate on borrowings from banks was 6.39% (six months ended 30 June 2020: 6.44%).

13 DISCONTINUED OPERATION

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 six months ended 30 June 2021 with the comparatives for the corresponding year of 2020 be restated to conform with the current year's presentation.

Results from the discontinued operation:

	As at	
	30 June 2021	31 December 2020
	RMB'000	*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)
Provision for impairment losses on financial assets	—	(13,597)
Other income	—	275
Other losses-net	—	3,670
Operating loss from discontinued operation	—	(13,672)
Finance income	—	—
Finance costs	—	(252)
Finance costs — net	—	(252)
Loss before income tax from discontinued operation	—	(13,924)
Income tax credit	—	1,034
Loss for the year from discontinued operation	—	(12,890)

14 INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021.

15 COMPARATIVE FIGURES

The comparative condensed consolidated statement of comprehensive income has been presented as if the discontinued operation had been discontinued since 1 July 2020 *(note 13).*

FINANCIAL REVIEW

Business Segments

Continuing Operations

For the six months ended 30 June 2021, the Group principally engages in two business segments, namely the plywood products business and leasing activities.

The plywood products business comprises the manufacturing, sales and distribution of plywood products to customers who are mainly end users with their finished products being exported to the American and European regions.

The leasing business represents the leasing of investment properties, including the biomass wood pellets factories (which ceased operation from 1 July 2020) for agricultural wholesale together with other factories and land which are surplus to needs for stable and recurring rental income.

Discontinued Operation

Following the significant deterioration of demand for the biomass wood pellet products, on 1 July 2020, the Company made the decision to cease the biomass wood pellet business (for further details, please refer to the section headed "Business Review" on page 20 of this announcement). Consistent with the treatment of the biomass wood pellet business in the consolidated financial statements of the Group for the year ended 31 December 2020, for the results for the six months ended 30 June 2021, the biomass wood pellet business has also been accounted for as a discontinued operation and comparatives for the corresponding six months ended 30 June 2020 have been restated to conform with the current basis of presentation.

Results from Continuing Operations

Revenue

For the six months ended 30 June 2021, the Group reported a slight increase in revenue of approximately RMB82.1 million, or approximately 2.5% comparing to approximately RMB80.1 million (restated) for the six months ended 30 June 2020. The increase was primarily attributable to the plywood products business segment which accounted for approximately RMB1.3 million or approximately 65% of the overall increase with the remaining increase accounted for by the rental income from the leasing business segment created since 1 July 2020.

Gross loss
The gross loss for the six months ended 30 June 2021 has significantly improved from approximately RMB99.9 million (restated) for the six months ended 30 June 2020 to a gross loss of approximately RMB13.6 million. The gross loss margin for the six months ended 30 June 2021 improved significantly from a gross loss margin of approximately 124.7% (restated) for the six months ended 30 June 2020 to a gross loss margin of approximately 16.5%. Included in cost of sales for the six months ended 30 June 2021 were reversal of provision for inventory write-down of approximately RMB0.5 million (2020: provision for inventory write-down approximately RMB33.7 million (restated)) and provision for impairment charges for property, plant and equipment of approximately RMB Nil (2020: approximately RMB28.2 million (restated)). Excluding these specific provisions, for the six months ended 30 June 2021, the adjusted gross loss was approximately RMB14.0 million (2020: approximately RMB38.0 million (restated)) and gross loss margin was approximately 17.1% (2020: approximately 47.4% (restated)). The improvement in adjusted gross loss margin was mainly attributable to the gradual improvement in profit margins of plywood products through price increase and cost reductions and volume increase.

Other income
No significant other income were generated for both current and prior periods.

Other losses — net
Other losses — net represents the non-recurring losses recorded for the six months ended 30 June 2021 of approximately RMB20,000 (2020: approximately RMB4.24 million (restated). Other losses for the six months ended 30 June 2020 were mainly due to the loss attributable to the disposal of certain property, plant and equipment of the Group which in aggregate amounted to approximately RMB10,000.

Selling and distribution expenses
Selling and distribution expenses mainly comprise employee benefits expenses incurred for the sales team and the distribution costs for our products for the six months ended 30 June 2021. There was an increase of approximately RMB0.1 million in selling and distribution expenses for the six months ended 30 June 2021 to approximately RMB0.5 million as compared to approximately RMB0.4 million the six months ended 30 June 2020. The increase in expenses correlated with the improvements in sales activities.

Administrative expenses

Administrative expenses mainly represented research and development expenses, Directors' remuneration, employee benefits expenses for administrative staff, depreciation and repair and maintenance expenses on buildings and office equipment, and legal and professional expenses. Increase in administrative expenses of approximately RMB10.2 million from approximately RMB4.9 million for the six months ended 30 June 2020 to approximately RMB15.1 million for the six months ended 30 June 2021 was mainly attributable to the additional professional fees incurred relating to the additional ongoing advisory support from both the professional financial advisers and legal advisers as the Group is going through the lengthy process of restructuring; one-off repairs to buildings and the transfer of raw materials and consumables used for research and development for lower end plywood products pursuant to the plan to expand our business into the lower end plywood market to alleviate concentration risk on high end products.

Provision for impairment losses on financial assets

Provision for impairment losses on financial assets related to the movements in impairment provision for trade receivables and other receivables recorded during the six months ended 30 June 2021. The decrease in provision from approximately RMB9.0 million (restated) for the six months ended 30 June 2020 to a provision of approximately RMB0.9 million for the six months ended 30 June 2021 reflected the settlement of outstanding balances from certain long overdue trade receivables customers of approximately RMB2.3 million which were partially offset by the additional provision on receivables of RMB3.2 million under the expected credit loss model for the six months ended 30 June 2021 as significant provisions of approximately RMB73.5 million had already been made on impairment loss in the second half of the 2020 year against the collectability of outstanding receivables from the Group's downstream customers which have been experiencing difficulties in their business operations as a result of COVID-19.

Net finance costs

Finance costs — net for the six months ended 30 June 2021 maintained at similar level as that for the six months ended 2020 of approximately RMB2.6 million as the level of interest bearing borrowings remained the same for both periods.

Income tax credit

For the six months ended 30 June 2021, no income tax needs to be provided as the Group continued to incurred losses for tax purposes. The tax credit for the six months ended 30 June 2020 was mainly related to recognition of temporary differences arising from losses carried forward which were subsequently reversed in the second half of 2020.

Loss for the period from continuing operations

Loss from continuing operations for the six months ended 30 June 2021 of the Company decreased from approximately RMB83.5 million for the six months ended 30 June 2020 to approximately RMB32.7 million for the six months ended 30 June 2021. The increase was mainly due to the reasons stated above.

Results from Discontinued Operation

The discontinued operation relates to the cessation of business of the biomass wood pellets. No loss was recorded for the six months ended 30 June 2021 as the biomass wood pallets business was discontinued with effect from 1 July 2020. The loss of approximately RMB12.9 million for the six months ended 30 June 2020 mainly reflected provision of impairment losses on financial assets of approximately RMB13.6 million against trade receivables.

Property, plant and equipment

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 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 and these property, plant and equipment were transferred to and reclassified as investment properties as at 31 December 2020. Movements between 30 June 2021 and 31 December 2020 reflected the depreciation charge for the period.

As at 30 June 2021, items of property, plant and equipment with net book value of approximately RMB17.6 million (2020: approximately RMB35.4 million) were pledged to secure short-term bank borrowings advanced to the Group.

Investment properties

Since 1 July 2020, the Group has entered into lease agreements to lease out its idle factories and land. This became the new leasing activities segment which has continued to bring in stable and recurring income to the Group. The movement in investment properties balance represents depreciation charge for the six months ended 30 June 2021.

Inventories

The Group's inventory balances as at 30 June 2021 comprised raw materials, work-in-progress and finished goods for plywood products. The decrease in the inventories balance of approximately RMB12.3 million, from approximately RMB47.2 million as at 31 December 2020 to approximately RMB34.9 million as at 30 June 2021, was mainly due to less work-in-progress and finished goods of plywood products as at 30 June 2021 held as a result of the approach of the Group to shorten the turnover cycle time of the inventories to sales so that inventories can be kept to a lower level.

Trade receivables

Trade receivables balance of approximately RMB86.7 million as at 30 June 2021 (as at 31 December 2020: approximately RMB88.9 million) which mainly represented outstanding receivables balance from customers of our plywood products.

Cash and cash equivalents

Cash and cash equivalents balance as at 30 June 2021 decreased to approximately RMB0.4 million as compared to approximately RMB5.8 million as at 31 December 2020. The decrease in cash and cash equivalents balance reflected the application of such funds for the financing of the ongoing operations of the subsidiaries in China.

Borrowings and charge on assets

The source of debt financing of the Group was mainly from banks and individual bondholders. As at 30 June 2021, the Group had bank borrowings denominated in RMB of approximately RMB26.3 million from banks located in China, decreasing from approximately RMB28.9 million as at 31 December 2020 as partial repayments were made during the six months ended 30 June 2021. The Group's bank borrowings are secured by land use rights and plants of the Group with aggregate net book value of approximately RMB17.6 million (as at 31 December 2020: approximately RMB23.2 million) and investment properties of the Group with net book value of approximately RMB33.1 million (as at 31 December 2020: approximately RMB33.1 million), and certain guarantees provided to the banks by certain former and present Directors and individuals as at 30 June 2021.

Liquidity and resources

As at 30 June 2021, the Group had current assets of approximately RMB136.5 million (as at 31 December 2020: approximately RMB164.3 million) and current liabilities amounted to approximately RMB108.6 million (as at 31 December 2020: approximately RMB106.0 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.3 as at 30 June 2021 (as at 31 December 2020: approximately 1.6).

Gearing ratio

As at 30 June 2021, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity as at the end of the period, was approximately 43.1% (as at 31 December 2020: approximately 34.2%). 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 six months ended 30 June 2021.

Foreign currency risk

A substantial 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 six months ended 30 June 2021. The Group will continue to monitor its foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2021 (as at 31 December 2020: Nil).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had no capital commitments contracted but not provided for (as at 31 December 2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2020 and 2021, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEE AND EMOLUMENT POLICY

The Group has 153 employees in Hong Kong and Mainland China as at 30 June 2021. The total salaries and related costs granted to employees amounted to approximately RMB4.9 million for the six months ended 30 June 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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") and devised its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the Model Code. Specific enquiry has been made to all Directors, who have confirmed that, during the six months ended 30 June 2021, each of them was in compliance with the required standards set out in the Model Code and the Company's code of conduct.

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.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that save for the delay in publishing the annual results and annual report for the the financial year ended 31 December 2020 which have already been fully remedied by the Company, the Company has been in compliance with the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021.

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 2021.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in-compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control and risk management principles of the Group and to assist the Board to fulfill its responsibilities over audit.

The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial reporting matters.

The Audit Committee consists of three independent non-executive Directors: Mr. KWOK Wai Ching Harrison (resigned on 19 May 2021), Ms. LO Yuk Yee, Mr. TSO Siu Lun Alan and Mr. LO Kam Cheung, Patrick (appointed on 19 May 2021). Mr. KWOK Wai Ching Harrison served as the chairman of the Audit Committee until his resignation on 19 May 2021 and Mr. LO Kam Cheung, Patrick has served as the chairman of the Audit Committee since his appointment on 19 May 2021. The interim results of the Company for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk.

The half year report of the Company will be dispatched to the shareholders of the Company and published on the above website in September 2021.

By order of the Board
Da Sen Holdings Group Limited
WONG Wai Keung Frederick
Executive Director

Hong Kong, 31 August 2021

As at the date of this announcement, the executive Directors are Mr. CHAI Kaw Sing, Mr. SUN Yongtao, Mr. WONG Ben, Mr. WONG Wai Keung Frederick and Mr. ZHANG Ayang; and the independent non-executive Directors are, Mr. LO Kam Cheung Patrick, Ms. LO Yuk Yee and Mr. TSO Siu Lun Alan.