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

INTERIM REPORT 2018

CONTENT PAGE

Definitions	2
Corporate information	3
Management discussion and analysis	5
Corporate governance	11
Other information	12
Condensed consolidated statement of comprehensive income	15
Condensed consolidated balance sheet	16
Condensed consolidated statement of changes in equity	18
Condensed consolidated statement of cash flows	19
Notes to the condensed financial statements	20

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

DEFINITIONS

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

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

BOARD

Mr. KE Mingcai	*(Chairman and executive Director)*
Mr. WANG Songmao	*(Chief executive officer and executive Director)*
Mr. ZHANG Ayang	*(Executive Director)*
Mr. WU Shican	*(Executive Director)*
Mr. LIN Triomphe Zheng	*(Independent non-executive Director)*
Mr. SHAO Wanlei	*(Independent non-executive Director)*
Mr. WANG Yuzhao	*(Independent non-executive Director)*

COMPANY SECRETARY

Mr. LAU Chung Wai *(FCPA (Practising))*

AUDIT COMMITTEE

Mr. LIN Triomphe Zheng *(Chairman)*
Mr. SHAO Wanlei
Mr. WANG Yuzhao

REMUNERATION COMMITTEE

Mr. WANG Yuzhao *(Chairman)*
Mr. LIN Triomphe Zheng
Mr. SHAO Wanlei

NOMINATION COMMITTEE

Mr. SHAO Wanlei *(Chairman)*
Mr. KE Mingcai
Mr. WANG Yuzhao

RISK MANAGEMENT COMMITTEE

Mr. WU Shican *(Chairman)*
Mr. ZHANG Ayang
Mr. LIN Triomphe Zheng

AUTHORISED REPRESENTATIVES
(for the purpose of the Listing Rules)

Mr. KE Mingcai
Mr. LAU Chung Wai

EXTERNAL AUDITOR

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room Nos. 2413-2415, 24th Floor
Sun Hung Kai Centre
No. 30 Harbour Road
Wan Chai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Economic Development Zone
Sunsi Town
Chengwu County, Heze City
Shandong Province, PRC

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Construction Bank
Shanghai Pudong Development Bank
Bank of China (Hong Kong) Limited

STOCK CODE

1580

COMPANY'S WEBSITE

http://www.msdscn.com

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

The Group's total comprehensive income attributable to the Shareholders 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.

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 2018.

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.

All Directors have confirmed that they have complied with the standards set out in the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Company has reviewed this interim report, including the condensed consolidated financial statements of the Group for the six months ended 30 June 2018.

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

At 30 June 2018, the interests and short positions of the Directors and chief executive in the share capital and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in Shares:

	Number of Shares held, capacity and nature of interest				
Name of Director	**Directly beneficially owned**	**Through spouse or minor children**	**Interest in persons acting in concert** *(note 1)*	**Total**	**Percentage of the Company's share capital**
KE Mingcai	190,843,200	–	149,205,600	340,048,800	37.93%
WANG Songmao	52,056,000	–	287,992,800	340,048,800	37.93%
ZHANG Ayang *(note 2)*	–	340,048,800	–	340,048,800	37.93%
WU Shican	24,300,000	–	315,748,800	340,048,800	37.93%

Notes:

1. Pursuant to an agreement (the "Concert Party Agreement") dated 3 March 2016 and entered into among KE Mingcai, CAI Jinxu, WANG Songmao, LIN Qingxiong, WU Shican and WU Haiyan, they have agreed on certain arrangements pertaining to their shareholdings in the Company. Pursuant to the SFO, since each of KE Mingcai, WANG Songmao and WU Shican is a party to the Concert Party Agreement, each of KE Mingcai, WANG Songmao and WU Shican is deemed to be interested in the Shares which the other parties to the Concert Party Agreement are interested in.

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

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

At 30 June 2018, the following interests and short positions of 5% or more of the share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Number of Shares held, capacity and nature of interest			Percentage of the Company's share capital
	Directly beneficially owned	Interest in persons acting in concert *(note 1)*	Total	
WONG Tseng Hon	93,060,000	—	93,060,000	10.38%
LIN Qingxiong	41,637,600	298,411,200	340,048,800	37.93%
WU Haiyan	31,212,000	308,836,800	340,048,800	37.93%

Note:

1. Pursuant to the Concert Party Agreement, KE Mingcai, CAI Jinxu, WANG Songmao, LIN Qingxiong, WU Shican and WU Haiyan have agreed on certain arrangements pertaining to their shareholdings in the Company. Pursuant to the SFO, since each of LIN Qingxiong and WU Haiyan is a party to the Concert Party Agreement, each of LIN Qingxiong and WU Haiyan is deemed to be interested in the Shares which the other parties to the Concert Party Agreement are interested in.

EMOLUMENT POLICY

The Group had 504 employees in Hong Kong and the PRC as at 30 June 2018. The total salaries and related costs granted to employees amounted to approximately RMB12.4 million for the six months ended 30 June 2018.

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

SHARE OPTION SCHEME

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

At no time during the six months ended 30 June 2018 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

As at 31 December 2017 and 30 June 2018, the Company did not have share options outstanding under the Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIVIDENDS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended 30 June 2018 RMB'000 Unaudited	2017 RMB'000 Unaudited
Revenue	6	**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	6, 7	**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	8	**(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	9	**1.53**	4.03

The notes on pages 20 to 38 are an integral part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

AS OF 30 JUNE 2018

	Note	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
ASSETS			
Non-current assets			
Land use rights	10	**24,830**	25,106
Property, plant and equipment	10	**161,480**	164,417
Deferred income tax assets	15	**1,449**	920
Prepayment	11	**3,150**	3,150
		190,909	193,593
Current assets			
Inventories		**104,991**	88,955
Trade and other receivables	11	**199,562**	159,572
Cash and bank balances		**40,213**	74,263
		344,766	322,790
Total assets		**535,675**	516,383
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	12	**7,906**	7,906
Share premium	12	**185,321**	185,321
Other reserves		**50,888**	50,888
Retained earnings		**202,640**	188,899
Total equity		**446,755**	433,014

	Note	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	13	**22,927**	22,709
Deferred income		**380**	393
Deferred income tax liabilities	15	**788**	26
		24,095	23,128
Current liabilities			
Trade and other payables	14	**11,249**	17,634
Current income tax liabilities		**10,240**	14,998
Borrowings	13	**43,336**	27,609
		64,825	60,241
Total liabilities		**88,920**	83,369
Total equity and liabilities		**535,675**	516,383

The notes on pages 20 to 38 are an integral part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited				
	Equity attributable to the shareholders of the Company				
	Share capital (Note 12) RMB'000	Share premium (Note 12) RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	**7,906**	**185,321**	**50,888**	**188,899**	**433,014**
Total comprehensive income for the period ended 30 June 2018					
Profit for the period	**–**	**–**	**–**	**13,741**	**13,741**
Balance at 30 June 2018	**7,906**	**185,321**	**50,888**	**202,640**	**446,755**
Balance at 1 January 2017	6,393	95,750	45,126	144,518	291,787
Total comprehensive income for the period ended 30 June 2017					
Profit for the period	–	–	–	30,051	30,051
Transactions with the shareholders					
Issuance of new shares (Note 12)	242	15,262	–	–	15,504
Balance at 30 June 2017	6,635	111,012	45,126	174,569	337,342

The notes on pages 20 to 38 are an integral part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
		Unaudited	Unaudited
Cash flows from operating activities			
Cash generated from operations		**(36,984)**	(33,240)
Interest received		**8**	15
Interest paid		**(2,130)**	(2,551)
Income taxes paid		**(10,123)**	(7,639)
Net cash flows used in operating activities		**(49,229)**	(43,415)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(156)**	(50,914)
Payments of land use rights	10	**–**	(199)
Net cash used in investing activities		**(156)**	(51,113)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	12	**–**	15,504
Proceeds from borrowings	13	**42,000**	73,764
Repayments of borrowings	13	**(27,000)**	(91,000)
Proceeds from loans from the controlling shareholder	18	**654**	–
Net cash generated from/(used in) financing activities		**15,654**	(1,732)
Net decrease in cash and cash equivalents		**(33,731)**	(96,260)
Cash and cash equivalents at beginning of the period		**74,263**	127,690
Effects of exchange rate changes on cash and cash equivalents		**(319)**	73
Cash and cash equivalents at end of the period		**40,213**	31,503

The notes on pages 20 to 38 are an integral part of this condensed consolidated financial statements.

1. GENERAL INFORMATION

Da Sen Holdings Group Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in the manufacturing and sales of plywood and biomass wood pellets in Heze city, Shandong Province, the People's Republic of China (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.

These condensed consolidated financial statements are presented in Renminbi ("RMB") unless otherwise stated.

These condensed consolidated financial statements have not been audited, and have been reviewed by the audit committee of the Company.

2. BASIS OF PREPARATION

This condensed consolidated financial information for the half-year reporting period ended 30 June 2018 has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting". The condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated financial information is to be read in conjunction with the annual report 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 in this condensed consolidated financial information applied 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.

(a) 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 in Note 3(c) below.

3. ACCOUNTING POLICIES — *continued*

(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 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019 (i)
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendment to IFRS 28	Long-term interests in Associates and Joint Ventures	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB310,055. The Group estimates that approximately 100% of these relate to payments for short-term and low-value leases, which will be recognised on a straight-line basis as an expense in the consolidated statements of comprehensive income.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's comprehensive income and classification of cash flows going forward.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3. ACCOUNTING POLICIES — *continued*

(c) Changes in accounting policies

(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 balance sheet as at 31 December 2017, but are recognised in the opening 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.

3. ACCOUNTING POLICIES — *continued*

(c) Changes in accounting policies — *continued*

(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.

3. ACCOUNTING POLICIES — *continued*

(c) Changes in accounting policies — *continued*

(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.

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. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Other than those impacts by adopting IFRS 9 and IFRS 15, in preparing this condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

There have been no changes in the risk management department since 2017 year end or in any risk management policies except that the risk management policies on credit risk was changed since 1 January 2018.

5. FINANCIAL RISK MANAGEMENT — *continued*

5.2 Credit Risk

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivables arising from sales of products due from them is not significant.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade and other receivables.

To measure the expected credit losses of the trade receivables, the Group considered trade receivables on credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 June 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

	Up to 3 months RMB'000	4 to 6 months RMB'000	7 to 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Gross carrying amount	94,176	29,573	16,369	26,379	911	167,408
Expected loss rate	0.83%	1.47%	3.99%	17.91%	23.71%	
Loss allowance provision	782	435	653	4,724	216	6,810

The closing loss allowances for trade receivables as at 30 June 2018 reconcile to the opening loss allowances as follows:

	Provision for impairment of trade receivables RMB'000
31 December 2017	6,232
Provision for loss allowance recognised in consolidated statements of comprehensive income	578
At 30 June 2018	6,810

5. FINANCIAL RISK MANAGEMENT — *continued*

5.2 Credit Risk — *continued*

For notes receivables, management makes periodic collective assessment and did not identify material impairment loss.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. In view of the history of the sound collection history of receivables, management believes that the credit risk inherent in the Group's outstanding other receivable balance is not significant.

5.3 Liquidity risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
The Group					
At 30 June 2018					
Borrowings	42,674	–	6,745	15,176	64,595
Interests payments on borrowings	2,827	1,526	4,055	2,028	10,436
Trade and other payables	5,588	–	–	–	5,588
Total	51,089	1,526	10,800	17,204	80,619
At 31 December 2017					
Borrowings	27,000	–	8,359	15,046	50,405
Interests payments on borrowings	2,088	1,513	4,338	2,445	10,384
Trade and other payables	8,550	–	–	–	8,550
Total	37,638	1,513	12,697	17,491	69,339

5. FINANCIAL RISK MANAGEMENT — *continued*

5.4 Fair value estimation

The carrying amount of the Group's financial assets (including trade and other receivables and cash and cash equivalent) and liabilities (including trade and other payables and borrowings) are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6. 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.

No revenue was derived from a single external customer that exceeded 10% of the total revenue of the Group for the six months ended 30 June 2018 and 2017.

Segment assets consist of land use rights, property, plant and equipment, deferred income tax assets, inventories, trade and other receivables and cash and cash equivalents.

Segment liabilities consist of borrowings, deferred income, deferred income tax liabilities, trade and other payables and other current tax liabilities.

6. REVENUE AND SEGMENT INFORMATION — *continued*

The segment information for the six months ended 30 June 2018 is as follows:

	Plywood RMB'000	Biomass wood pellets RMB'000	Inter-segment revenue RMB'000	Unallocated RMB'000	Group RMB'000
Segment result					
Revenue	183,262	38,309	(4,772)	—	216,799
Segment results	15,853	5,873	(9)	36	21,753
Finance costs — net					(2,414)
Profit before income tax					19,339
Income tax expense (Note 8)					(5,598)
Profit for the period					13,741
Other Segment items					
Provision for receivables impairment (Note 11)	2,602	(2,024)	—	—	578
Depreciation of property, plant and equipment (Note 10)	2,082	958	—	—	3,040
Amortisation of leasehold land payments (Note 10)	166	110	—	—	276

The segment assets and liabilities at 30 June 2018 are as follows:

	Plywood RMB'000	Biomass wood pellets RMB'000	Unallocated RMB'000	Group RMB'000
Total assets	419,698	98,045	17,932	535,675
Total liabilities	47,228	14,214	27,478	88,920

6. REVENUE AND SEGMENT INFORMATION — *continued*

The segment information for the six months ended 30 June 2017 is as follows:

	Plywood RMB'000	Biomass wood pellets RMB'000	Inter-segment revenue RMB'000	Unallocated RMB'000	Group RMB'000
Segment result					
Revenue	209,060	53,090	(5,536)	—	256,614
Segment results	40,254	8,072	(52)	(4,967)	43,307
Finance costs — net					(2,536)
Profit before income tax					40,771
Income tax expense (Note 8)					(10,720)
Profit for the period					30,051
Other Segment items					
Provision for receivables impairment (Note 11)	1,487	1,920	—	—	3,407
Depreciation of property, plant and equipment (Note 10)	1,726	898	—	—	2,624
Amortisation of leasehold land payments (Note 10)	145	109	—	—	254

The segment assets and liabilities at 30 June 2017 are as follows:

	Plywood RMB'000	Biomass wood pellets RMB'000	Unallocated RMB'000	Group RMB'000
Total assets	330,768	111,036	—	441,804
Total liabilities	70,747	18,565	15,150	104,462

7. OPERATING PROFIT

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

	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 (Note 10)	**3,316**	2,878
Provision for receivables impairment (Note 11)	**578**	3,407
Refund of value added tax ("VAT") (Note)	**(1,628)**	(1,664)

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 for the six months ended 30 June 2018 and 2017.

8. 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.

8. INCOME TAX 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% (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 year, 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.

9. 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
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.

10. PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment RMB'000	Land use rights RMB'000	Total RMB'000
Six months ended 30 June 2018			
Opening net book amount at 1 January 2018	**164,417**	**25,106**	**189,523**
Additions	**103**	**–**	**103**
Depreciation and amortisation	**(3,040)**	**(276)**	**(3,316)**
Closing net book amount at 30 June 2018	**161,480**	**24,830**	**186,310**
Six months ended 30 June 2017			
Opening net book amount at 1 January 2017	99,813	23,300	123,113
Additions	49,942	199	50,141
Depreciation and amortisation	(2,624)	(254)	(2,878)
Closing net book amount at 30 June 2017	147,131	23,245	170,376

The land use rights are held with lease term of 50 years and the land is situated in Heze city, Shandong province, the Mainland China.

As at 30 June 2018, land use rights of the Group with a total net book value of RMB22,735,000 (2017: RMB22,957,000), and plants of the Group with a total net book value of RMB55,850,000 (2017: RMB57,276,000) were pledged to secure short-term borrowings as disclosed in Note 13. The borrowings were also supported by guarantees from Mr. Ke Mingcai and an individual third party (Note 18(d)).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade receivables (a)	**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

(a) 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 of 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 RMB'000	As at 31 December 2017 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

12. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares '000	Amount		
		Share capital RMB'000	Share premium RMB'000	Total RMB'000
Balances at 1 January 2018 And 30 June 2018	**896,400**	**7,906**	**185,321**	**193,227**
Opening 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
At 30 June 2017	747,000	6,635	111,012	117,647

Note: On 6 January 2017, an aggregate of 27,000,000 shares of the Company were issued at a price of HK$0.70 per share 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.

13. 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 within one year (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

13. BORROWINGS — *continued*

(a) Bonds

The Company has issued long-term bonds with fixed interest rates ranging from 6% to 6.5% per annum. The bonds will mature in 3 to 7.5 years. The fair values of the bonds approximated their carrying amount as at 30 June 2018.

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

	Carrying amount		Fair value	
	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000	**As at 30 June 2018 RMB'000**	As at 31 December 2017 RMB'000
Bonds	**22,927**	22,709	**22,927**	22,709

Movements in borrowings were analysed as follows:

	RMB'000
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	50,318
Proceeds from bank borrowings	42,000
Proceeds from loans from the controlling shareholder	654
Repayments of bank borrowings	(27,000)
Repayments of bonds interest	(732)
Amortisation of bonds transaction cost	800
Exchange differences	223
Closing amount as at 30 June 2018	66,263
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	85,023
Proceeds from bank borrowings	62,000
Proceeds from bonds issuance	11,764
Repayments of bank borrowings	(91,000)
Repayments of financial lease	(1,023)
Closing amount as at 30 June 2017	66,764

13. BORROWINGS — *continued*

(a) Bonds — *continued*

As at 30 June 2018, land use rights of the Group with a total net book value of RMB22,735,000 (2017: RMB22,957,000), and plants of the Group with a total net book value of RMB55,850,000 (2017: RMB57,276,000) were pledged to secure short-term borrowings. The borrowings were also supported by guarantees from Mr. Ke Mingcai and an individual third party (Note 18(d)).

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 2018, the weighted average effective interest rate on borrowings from banks was 7.7% (six months ended 30 June 2017: 6.8%).

14. TRADE, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Employee benefit payables	2,569	4,587
Trade payables (a)	2,224	4,916
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

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

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Within 3 months	2,091	4,864
3 to 6 months	81	52
6 to 12 months	52	–
	2,224	4,916

15. DEFERRED INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
At beginning of the period	**894**	1,071
Income statement charge (Note 8)	**(233)**	348
At end of the period	**661**	1,419

16. DIVIDENDS

For the six months ended 30 June 2018 and 2017, the Board didn't declare any dividend.

17. CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, the Group had no material contingent liabilities.

18. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions.

Name and relationship with related parties are set out below:

Related party	Relationship
Mr. Ke Mingcai	Shareholder, Chairman and Executive Director of the Company

(a) Key management compensation

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries and bonus	**2,180**	589
Pension, housing fund, medical insurance and others	**60**	52
	2,240	641

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers.

18. RELATED PARTY TRANSACTIONS AND BALANCES — *continued*

(b) Transactions with related parties

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Amount received from a related party		
— Mr. Ke Mingcai	**654**	—

(c) Period-end/year-end balances with related parties

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Amount due to a related party		
— Mr. Ke Mingcai	**674**	—

(d) Guarantees provided by a related party in respect of the Group's short-term borrowings from banks

As at 30 June 2018 and 31 December 2017, the Group's short-term borrowings of RMB20,000,000 were guaranteed by Mr. Ke Mingcai and an individual third party via a guarantee agreement between these individuals and a bank (Note 13).

19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no other material subsequent events undertaken by the Company or by the Group after 30 June 2018.