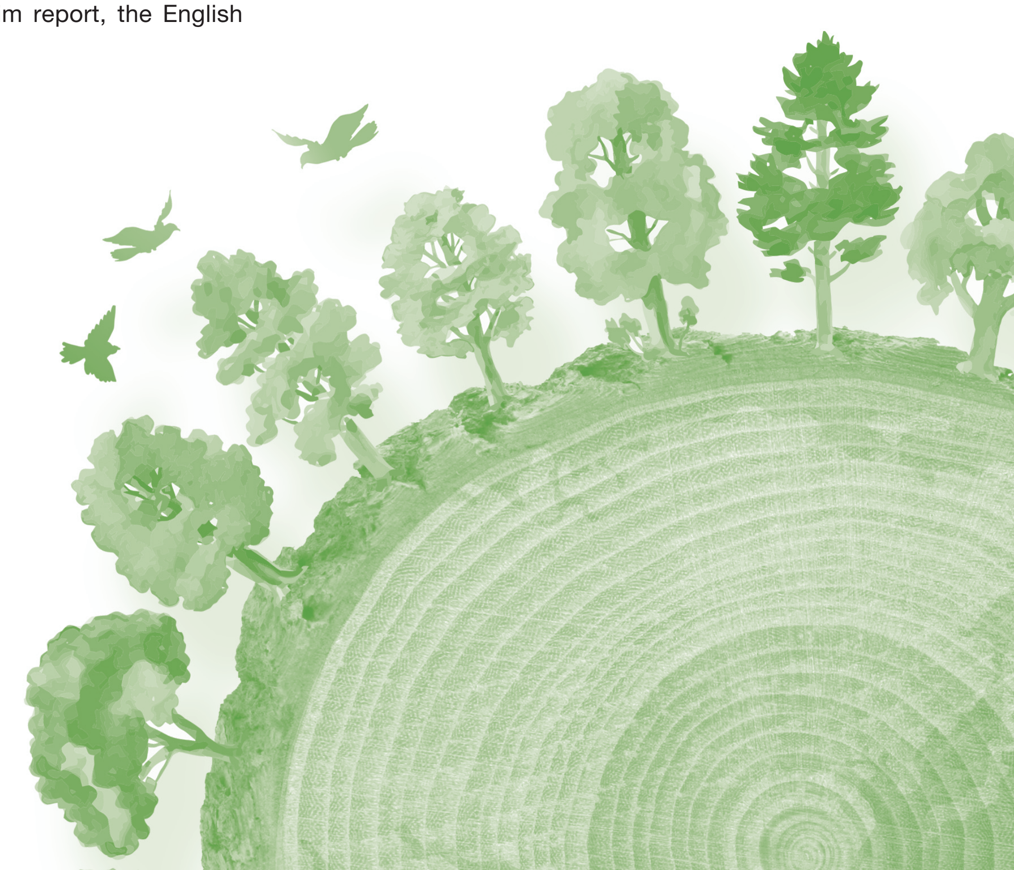
DA SEN HOLDINGS GROUP LIMITED
大森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1580

2019 INTERIM REPORT

CONTENT PAGE

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. WONG Ben	*(Executive Director) (appointed on 12 July 2019)*
Mr. CHAI Kaw Sing	*(Executive Director) (appointed on 12 July 2019)*
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. LEUNG Wing Lun *(CPA)*

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. LEUNG Wing Lun

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

Unit 1604, 16th Floor
Emperor Group Centre
No. 288 Hennessy Road
Wan Chai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

Economic Development Zone
Sunsi Town, Chengwu
Shandong, Mainland China

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Construction Bank
Shanghai Pudong Development Bank
Bank of China (Hong Kong) Limited
Shandong Chengwu Rural Commercial Bank

STOCK CODE

1580

COMPANY'S WEBSITE

http://www.msdscn.com

BUSINESS REVIEW

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

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

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

Plywood products

The Group's plywood products consist of furniture board (家具板), ecological plywood (生態板) (also known as melamine faced board (三聚氰胺貼面板)) and hardwood multi-layered board (實木多層板), which are mainly made of 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 in certain specifications, such as the level of moisture content, the hardness and the water resistance capability. The total revenue of the Group is mainly contributed by the sales of plywood products, which accounted for approximately RMB147.6 million, representing approximately 95.1% of the Group's total revenue for the six months ended 30 June 2019.

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

Customers of the Group's plywood products are mainly end users, such as furniture manufacturers, equipment manufacturers, decoration or renovation companies and packing material producers, and there are also some trading companies sourcing plywood products from the Group for on-selling to their downstream customers with or without processing. Most customers of the Group's plywood products are located at Eastern China and Southern China regions. The Group maintains a large customer base for the plywood products and there were a total of 89 customers of plywood products for the six months ended 30 June 2019, out of which the five largest customers contributed to approximately 33.4% 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 clean fuel as compared with other traditional forms of fuel, such as coal. Biomass wood pellets also have competitive edge in transport, storage, combustibility and emission as compared to traditional fuel due to its solid nature and its smaller size. Biomass wood pellets contain zero sulfate and phosphorous, therefore no polluting gas and contents would be released after burning. These enable biomass wood pellets to become the symbol of new generation fuel. Customers usually use the Group's biomass wood pellets as fuel to generate energy or to trade to their downstream customers.

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, Shandong 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 16 customers of biomass wood pellets for the six months ended 30 June 2019, out of which the five largest customers contributed to approximately 82.4% of the total revenue of biomass wood pellets.

Future development

There has been delay in the construction of new production plants due to the delay in obtaining the State-owned Land Use certificate for certain pieces of lands identified by the Company as no construction of production plants is allowed until the State-owned Land Use certificate is obtained. The Company's subsidiary has recently obtained the State-owned Land Use certificate and the Directors expect that the construction of production plants will be commenced in the foreseeable future.

OUTLOOK

The various macroeconomic uncertainties caused by anti-dumping duties and the Sino-US trade war have given challenges to the manufacturing industry in the PRC recently. The threat of imposing new tariff on Chinese products has led to deteriorating market sentiment immediately. It also affects the Group's customers as well, in particular the customers in furniture industry which consume our products as their raw materials. Consequently, the demand of our products is expected to decrease for the year ending 31 December 2019. Management of the Group expects that the Sino-US trade war will sustain and the Group will face a similar level of pressure on the revenue in the foreseeable future.

In addition to the decrease of demand for the Group's products, the Group is also facing a challenge as the significant increase in purchase cost of poplar plywood cores and wood residue. Given stringent requirements on the manufacturing process, such as the number of environmental measures against pollution increases in the PRC, the Group also finds difficulties to raise the selling price of the Group's products and shift the increasing production costs to its customers. As a result, the higher purchase cost would lower the gross profit margin for the year ending 31 December 2019. Directors have reviewed the market and would remain conservative on the potential growth of the market for the Group's products in the foreseeable future.

FINANCIAL REVIEW

Revenue

The Group experienced a drop in revenue of approximately 28.5%, from approximately RMB216.8 million for the six months ended 30 June 2018 to approximately RMB155.1 million for the six months ended 30 June 2019. 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 2019. Revenue arising from plywood products dropped from approximately RMB183.3 million for the six months ended 30 June 2018 to approximately RMB147.6 million for the six months ended 30 June 2019, and revenue arising from biomass wood pellets dropped from approximately RMB33.5 million for the six months ended 30 June 2018 to approximately RMB7.5 million for the six months ended 30 June 2019.

With the effect and negative impact from the anti-dumping duties investigation against the wooden furniture industry, and with the expectation of the increase in customs duties, the demand of our products and our revenue has decreased.

The Central People's Government of China has taken a more stringent approach on the environmental measures, some of our customers has shifted to natural gas as their energy instead of our biomass wood pellets. Thus, our revenue has decreased as the demand for our biomass wood pellets decreased.

Gross profit

The overall gross profit margin of the Group dropped from approximately 15.1% for the six months ended 30 June 2018 to approximately 9.1% for the six months ended 30 June 2019. 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 comprised income earned from refund of value-added tax arising from the sales of the Group's biomass wood pellets, and also income from sales of poplar core being the residuals generated from the production the Group's plywood products. A decrease in the Group's other income from approximately RMB3.2 million for the six months ended 30 June 2018 to approximately RMB2.0 million for the six months ended 30 June 2019 was mainly due to the less refund of value-added tax on biomass wood pellets received during the six months ended 30 June 2019.

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 2019.

Administrative expenses

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

Decrease in the Group's administrative expenses from approximately RMB12.7 million for the six months ended 30 June 2018 to approximately RMB9.0 million for the six months ended 30 June 2019 was mainly due to the decrease in raw materials and consumables used for research and development expenses recorded during the six months ended 30 June 2019.

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 2019.

The Group maintained similar level of finance cost for both the six months ended 30 June 2018 and 2019 at approximately RMB2.4 million.

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 2019 is approximately 36.0%, as compared the rate of approximately 28.9% for the six months ended 30 June 2018. An increase in the effective tax rate for the six months ended 30 June 2019 was mainly because of the increase in the portion of the non-deductible expenses arising in Hong Kong office for the six months ended 30 June 2019.

The significant decrease in income tax expenses from approximately RMB5.6 million for the six months ended 30 June 2018 to approximately RMB2.5 million for the six months ended 30 June 2019 was in line with the drop in the profit before tax for the six months ended 30 June 2019.

Total comprehensive income attributable to the shareholders of the Company

The Group's total comprehensive income attributable to the shareholders of the Company dropped from approximately RMB13.7 million for the six months ended 30 June 2018 to approximately RMB4.4 million for the six months ended 30 June 2019, which was mainly attributable to 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 2019.

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. During the six months ended 30 June 2019, the Group has minimal purchase of items of property, plant and equipment.

As at 30 June 2019, the Group's items of property, plant and equipment with carrying amount of approximately RMB54.9 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 raw materials, work in progress and finished goods for both plywood products and biomass wood pellets. An increase in balance from approximately RMB108.0 million as at 31 December 2018 to approximately RMB135.1 million as at 30 June 2019 was mainly due to more raw materials stored up as at 30 June 2019 to support the upcoming production of plywood products in the second half of the year 2019 as the Group expects the price of raw materials will keep on rising.

Gearing ratio

Our Group's gearing ratio, calculated based on the total interest-bearing debts divided by the total equity, was approximately 12.3% as at 30 June 2019 (approximately 15.3% as at 31 December 2018).

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 2019.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the standards set out in the Model Code throughout the six months ended 30 June 2019.

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 2019.

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

At 30 June 2019, 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	232,380,800	–	107,668,000	340,048,800	34.89%
WANG Songmao	52,056,000	–	287,992,800	340,048,800	34.89%
ZHANG Ayang *(note 2)*	–	340,048,800	–	340,048,800	34.89%
WU Shican	24,300,000	–	315,748,800	340,048,800	34.89%

Notes:

1. Pursuant to an agreement (the "Concert Party Agreement") dated 3 March 2016 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 2019, 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 2019, 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:

	Number of Shares held, capacity and nature of interest			
Name	Directly beneficially owned	Interest in persons acting in concert *(note 1)*	Total	Percentage of the Company's share capital
WONG Tseng Hon	139,100,000	–	139,100,000	14.28%
LIN Qingxiong	100,000	339,948,800	340,048,800	34.89%
WU Haiyan	31,212,000	308,836,800	340,048,800	34.89%

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 256 employees in Hong Kong and the PRC as at 30 June 2019. The total salaries and related costs granted to employees amounted to approximately RMB8.8 million for the six months ended 30 June 2019.

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 2019 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 2018 and 30 June 2019, 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 2019.

DIVIDENDS

The Board resolved not to declare any interim dividend in respect for the six months ended 30 June 2019.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in RMB and incurs costs in RMB and HK$. The Group is exposed to foreign exchange risk based on fluctuations between RMB and HK$ arising from its core operation in the PRC. In order to minimise the foreign currency risk exposure between these two currencies, the Group generally maintains cash balances in both currencies that are sufficient to meet three to four months of operating cash flows requirements of the Group.

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 Reporting Period. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

	Note	Six months ended 30 June 2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Revenue	6	**155,088**	216,799
Cost of sales		**(141,038)**	(184,150)
Gross profit		**14,050**	32,649
Selling and distribution expenses		**(242)**	(556)
Administrative expenses		**(8,966)**	(12,726)
Reversal of/(provision for) net impairment losses on financial assets		**2,216**	(578)
Other income		**1,984**	3,234
Other gains/(losses) — net		**340**	(270)
Operating profit	6,7	**9,382**	21,753
Finance income		**4**	8
Finance costs		**(2,455)**	(2,422)
Finance costs — net		**(2,451)**	(2,414)
Profit before income tax		**6,931**	19,339
Income tax expense	8	**(2,493)**	(5,598)
Profit for the period		**4,438**	13,741
Comprehensive income for the period		**—**	—
Total comprehensive income for the period and attributable to the shareholders of the Company		**4,438**	13,741
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	**0.49**	1.53

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
ASSETS			
Non-current assets			
Land use rights	10	27,144	24,549
Property, plant and equipment	10	158,059	161,089
Deferred income tax assets	15	962	1,707
Prepayment	11	3,650	5,939
Right-of-use assets		678	—
		190,493	193,284
Current assets			
Inventories		135,060	107,990
Trade and other receivables	11	187,242	193,743
Cash and bank balances		57,110	48,298
		379,412	350,031
Total assets		569,905	543,315
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	12	8,592	7,906
Share premium	12	212,503	185,321
Other reserves		52,942	52,942
Retained earnings		210,556	206,118
Total equity		484,593	452,287

	Note	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	13	**22,111**	23,847
Lease liabilities		**176**	—
Deferred income		**2,265**	369
Deferred income tax liabilities	15	**808**	506
		25,360	24,722
Current liabilities			
Trade and other payables	14	**13,387**	12,653
Current income tax liabilities		**8,715**	8,274
Borrowings	13	**37,288**	45,379
Lease liabilities		**562**	—
		59,952	66,306
Total liabilities		**85,312**	91,028
Total equity and liabilities		**569,905**	543,315

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

	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 2019	7,906	185,321	52,942	206,118	452,287
Total comprehensive income for the period ended 30 June 2019					
Profit for the period	–	–	–	4,438	4,438
Transactions with the shareholders					
Placing of new shares (Note 12)	686	27,182	–	–	27,868
Balance at 30 June 2019	8,592	212,503	52,942	210,556	484,593
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

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Cash flows from operating activities			
Cash generated from operations		**(6,840)**	(36,984)
Interest received		**4**	8
Interest paid		**(2,373)**	(2,130)
Income taxes paid		**(1,005)**	(10,123)
Net cash flows used in operating activities		**(10,214)**	(49,229)
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(34)**	(156)
Payments of land use rights	10	**(610)**	—
Proceeds from disposal of property, plant and equipment		**44**	—
Assets-related government grants received		**1,910**	—
Net cash generated from/(used in) investing activities		**1,310**	(156)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	12	**27,868**	—
Proceeds from borrowings	13	**35,360**	42,000
Repayments of borrowings	13	**(45,252)**	(27,000)
Proceeds from loan from the controlling shareholder	18	**—**	654
Principal elements of lease payments		**(271)**	—
Net cash generated from financing activities		**17,705**	15,654
Net increase/(decrease) in cash and cash equivalents		**8,801**	(33,731)
Cash and cash equivalents at beginning of the period		**48,298**	74,263
Effects of exchange rate changes on cash and cash equivalents		**11**	(319)
Cash and cash equivalents at end of the period		**57,110**	40,213

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

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 has its shares listed on The Stock Exchange of Hong Kong Limited since the initial public offering on 19 December 2016.

These condensed consolidated interim financial statements are presented in Renminbi ("RMB") unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors (the "Board") on 29 August 2019.

This condensed consolidated interim financial report has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated interim financial report is to be read in conjunction with the annual report for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. ACCOUNTING POLICIES

The accounting policies in this condensed consolidated interim financial report applied are consistent with those of the annual financial statements for the year ended 31 December 2018 except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases.

3. ACCOUNTING POLICIES — *continued*

(a) New and amended standards adopted by the Group — *continued*

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 3(c) below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments:

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
IAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
IAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019

(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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17	Insurance contracts	1 January 2021

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

3. ACCOUNTING POLICIES — *continued*

(c) Impact from changes in accounting policies

This Note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 3(c)(2) below.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(1) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.83%.

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,037
Discounted using the lessee's incremental borrowing rate at the date of initial application	973
(Less): short-term leases recognised on a straight-line basis as expense	(44)
Lease liability recognised as at 1 January 2019	929
Of which are:	
Current lease liabilities	497
Non-current lease liabilities	432
	929

3. ACCOUNTING POLICIES — *continued*

(c) Impact from changes in accounting policies — *continued*

(1) Adjustments recognised on adoption of IFRS 16 — continued

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The net book value of recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Properties	**678**	929
Total right-of-use assets	**678**	929

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB929,000
- lease liabilities — increase by RMB929,000.

(i) Impact on segment disclosures

Segment profit for the six months ended 30 June 2019 decreased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment profit RMB'000
Plywood	**(8)**
Biomass wood pellets	**—**
Unallocated	**—**
	(8)

3. ACCOUNTING POLICIES — *continued*

(c) Impact from changes in accounting policies — *continued*

(1) Adjustments recognised on adoption of IFRS 16 — continued

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

(2) The Group's leasing activities and how these are accounted for

The Group leases offices. Rental contract is made for fixed periods of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

3. ACCOUNTING POLICIES — *continued*

(c) Impact from changes in accounting policies — *continued*

(2) The Group's leasing activities and how these are accounted for — *continued*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 16, in preparing these condensed consolidated interim 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 2018.

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 interim 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 as at 31 December 2018.

There have been no changes in the risk management department since 2018 year end or in any risk management policies.

5. FINANCIAL RISK MANAGEMENT — *continued*

5.2 Credit Risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, as well as credit exposures to the customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. Cash at bank are deposited in reputable financial institutions which are considered with low credit risk.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivables arising from sales of products due from them is not significant.

(ii) Impairment of financial assets

The Group has trade receivables for sales of inventory that are subject to the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 modified retrospective approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days exceed the normal collecting period.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 June 2019 or 31 December 2018 respectively 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. The Group has considered the business, financial or economic conditions and performance and behaviour of customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

5. FINANCIAL RISK MANAGEMENT — *continued*

5.2 Credit Risk — *continued*

(ii) Impairment of financial assets — continued

Trade receivables — continued

On that basis, the loss allowance as at 30 June 2019 and 31 December 2018 was determined as follows for trade receivables:

	Current RMB'000	Past due for 1 to 6 months RMB'000	Past due for more than 6 months and less than 1 year RMB'000	Past due for more than 1 year RMB'000	Total RMB'000
30 June 2019					
Expected loss rate	0.92%	2.60%	8.04%	10.10%	2.97%
Gross carrying amount	95,459	51,467	39,896	1,805	188,627
Total loss allowance	878	1,338	3,208	182	5,606

	Current RMB'000	Past due for 1 to 6 months RMB'000	Past due for more than 6 months and less than 1 year RMB'000	Past due for more than 1 year RMB'000	Total RMB'000
31 December 2018					
Expected loss rate	0.89%	5.96%	11.15%	61.36%	4.00%
Gross carrying amount	160,908	13,079	15,098	6,410	195,495
Total loss allowance	1,426	780	1,683	3,933	7,822

5. FINANCIAL RISK MANAGEMENT — *continued*

5.2 Credit Risk — *continued*

(ii) Impairment of financial assets — continued

Trade receivables — continued

The loss allowances for trade receivables as at 30 June 2019 and 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000
Closing loss allowance at 31 December 2017	
— calculated under IAS 39	6,232
Amounts restated through opening retained earnings	—
Opening loss allowance at 1 January 2018	
— calculated under IFRS 9	6,232
Provision for receivables impairment during the year	1,945
Reversal of receivables impairment during the year	(355)
Closing loss allowance at 31 December 2018	7,822
Provision for receivables impairment during the period	3,376
Reversal of receivables impairment during the period	(5,592)
Closing loss allowance at 30 June 2019	**5,606**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 360 days past due (credit terms).

Impairment losses on trade receivables are presented within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

5. FINANCIAL RISK MANAGEMENT — *continued*

5.2 Credit Risk — *continued*

(ii) Impairment of financial assets — continued

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Net impairment losses on financial assets recognised in the consolidated statement of comprehensive income

During the six months ended 30 June 2019 and 2018, the following gains or losses were recognised in "Reversal of/(provision for) net impairment losses on financial assets" in the consolidated statement of comprehensive income in relation to impaired financial assets.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Provision for impairment losses		
— (Reversal of)/provision for loss allowance for trade receivables	**(2,216)**	1,590

5.3 Liquidity Risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements — for example, currency restrictions.

5. FINANCIAL RISK MANAGEMENT — *continued*

5.3 Liquidity Risk — *continued*

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 3 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2019					
Borrowings	**28,738**	**—**	**7,037**	**15,834**	**51,609**
Interest payables for borrowings (i)	**2,601**	**1,487**	**3,774**	**1,086**	**8,948**
Trade and other payables	**7,937**	**—**	**—**	**—**	**7,937**
	39,276	**1,487**	**10,811**	**16,920**	**68,494**
At 31 December 2018					
Borrowings	45,381	1,752	7,010	15,772	69,915
Interest payables for borrowings (i)	2,488	1,586	3,987	1,538	9,599
Trade and other payables	4,720	—	—	—	4,720
	52,589	3,338	10,997	17,310	84,234

(i) The interests on borrowings are calculated based on bank borrowings and corporate bonds held as at 30 June 2019 and 31 December 2018 without taking into account of future issues.

5.4 Fair value estimation

The Group adopts the amendment to IFRS 13 for financial instruments that are measured in the consolidated balance sheet at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. FINANCIAL RISK MANAGEMENT — *continued*

5.4 Fair value estimation — *continued*

As at 30 June 2019, the Group had no financial instruments that are subsequently measured in the consolidated balance sheet at fair value.

The carrying amounts of the Group's financial assets, including trade and other receivables, cash and bank deposits and short term liabilities, including trade and other payables and borrowings are assumed to approximate their fair values due to their short-term maturities.

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 2019 and 2018.

Segment assets consist of land use rights, property, plant and equipment, deferred tax assets, right-of-use assets, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets mainly comprise cash and bank balances and other receivables held by non-PRC incorporated companies.

Segment liabilities consist of borrowings, lease liabilities, deferred income, deferred tax liabilities, trade and other payables and other current tax liabilities. Unallocated liabilities mainly comprise interest payable and bonds held by non-PRC incorporated companies.

6. REVENUE AND SEGMENT INFORMATION — *continued*

The segment information for the six months ended 30 June 2019 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	147,558	16,266	(8,736)	—	155,088
Segment results	8,848	2,421	149	(2,036)	9,382
Finance costs — net					(2,451)
Profit before income tax					6,931
Income tax expense (Note 8)					(2,493)
Profit for the period					4,438
Other Segment items					
Depreciation of property, plant and equipment (Note 10)	2,090	958	—	—	3,048
Amortisation of land use rights (Note 10)	194	110	—	—	304
Gain on disposal of property, plant and equipment	28	—	—	—	28
Additions to non-current assets	644	—	—	—	644

The segment assets and liabilities at 30 June 2019 are as follows:

	Plywood RMB'000	Biomass wood pellets RMB'000	Unallocated RMB'000	Group RMB'000
Total assets	471,840	95,635	2,430	569,905
Total liabilities	45,459	11,222	28,631	85,312

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					
Depreciation of property, plant and equipment (Note 10)	2,082	958	—	—	3,040
Amortisation of land use rights (Note 10)	166	110	—	—	276
Additions to non-current assets	103	—	—	—	103

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

7. OPERATING PROFIT

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Changes in inventories of finished goods and work-in-progress	**35,400**	897
Raw materials and consumables used	**101,026**	167,214
Employee benefit expenses	**8,818**	13,577
Depreciation and amortisation (Note 10)	**3,352**	3,316
Depreciation of right-of-use assets	**251**	—
(Reversal) of/provision for net impairment losses on financial assets (Note 11)	**(2,216)**	578
Refund of value added tax ("VAT") (Note)	**(796)**	(1,628)

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.

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	
	2019	2018
	RMB'000	RMB'000
Current income tax	**1,446**	5,365
Deferred income tax	**1,047**	233
	2,493	5,598

(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% (six months ended 30 June 2018: 16.5%) for the period.

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

CIT is provided on the assessable profit of entities within the Group incorporated in the PRC. The applicable CIT rate is 25% (six months ended 30 June 2018: 25%) for the period.

(v) PRC withholding income tax

According to the new CIT Law, a 10% withholding tax will be levied on the immediate holding companies established out of the PRC, in respect of earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. During the period, no withholding tax has been provided as the directors have confirmed that the Group does not expect the PRC subsidiaries to distribute the retained earnings as at 30 June 2019 in the foreseeable future.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2019 and 2018 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	
	2019	2018
Profit attributable to the shareholders of the Company	**4,438**	13,741
Weighted average number of ordinary shares in issue (thousands)	**902,433**	896,400
Basic earnings per share (RMB cents per share)	**0.49**	1.53

(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 2019 and 2018, 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 2019			
Opening net book amount at 1 January 2019	161,089	24,549	185,638
Additions	34	2,899	2,933
Disposals	(16)	—	(16)
Depreciation and amortisation	(3,048)	(304)	(3,352)
Closing net book amount at 30 June 2019	158,059	27,144	185,203
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

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 2019, land use rights of the Group with a total net book value of RMB27,144,000 (31 December 2018: RMB22,415,000), and plants of the Group with a total net book value of RMB54,942,000 (31 December 2018: RMB54,228,000) were pledged to secure short-term borrowings as disclosed in Note 13. The borrowings were also supported by guarantees from Mr. Ke Mingcai, Mr. Zhang Ayang and an individual third-party (Note 18(c)).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Trade receivables (a)	188,627	195,495
Less: provision for impairment	(5,606)	(7,822)
Trade receivables — net	183,021	187,673
Notes receivables	150	—
Other receivables	2,726	1,003
Prepayments		
— Prepayments for raw materials	1,345	5,067
— Prepayments for land use rights	3,650	5,939
	190,892	199,682
Less: Prepayment non-current	(3,650)	(5,939)
	187,242	193,743

(a) As at 30 June 2019 and 2018 the aging analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Up to 3 months	90,441	116,517
4 to 6 months	58,264	47,059
7 to 12 months	30,032	9,429
Over 1 year	9,890	22,490
	188,627	195,495

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

12. SHARE CAPITAL AND SHARE PREMIUM

		Amount		
	Number of ordinary shares '000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2019	896,400	7,906	185,321	193,227
Placing of new shares (Note)	78,000	686	27,182	27,868
At 30 June 2019	974,400	8,592	212,503	221,095
Balances at 1 January 2018 and 30 June 2018	896,400	7,906	185,321	193,227

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

13. BORROWINGS

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Non-current		
Bonds (a)	22,111	23,847
Current		
Bonds within one year (a)	4,388	4,379
Short-term bank borrowings — secured	32,900	41,000
	37,288	45,379
	59,399	69,226

13. BORROWINGS — *continued*

(a) Bonds

The Company has issued long-term bonds with fixed interest rates ranging from 6% to 8% per annum. The bonds will mature in 1 to 7.5 years. The fair values of the bonds approximated their carrying amount as at 30 June 2019.

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

	Carrying amount		Fair value	
	As at		As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000	**30 June 2019 RMB'000**	31 December 2018 RMB'000
Bonds	**22,111**	23,847	**22,111**	23,847

Movements in borrowings were analysed as follows:

	RMB'000
Six months ended 30 June 2019	
Opening amount as at 1 January 2019	69,226
Proceeds from bank borrowings	32,900
Proceeds from bonds	2,460
Repayments of bank borrowings	(41,000)
Repayments of bonds	(4,252)
Amortisation of bonds transaction cost	193
Exchange differences	(128)
Closing amount as at 30 June 2019	59,399
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	(732)
Amortisation of bonds transaction cost	800
Exchange differences	223
Closing amount as at 30 June 2018	66,263

13. BORROWINGS — *continued*

As at 30 June 2019, land use rights of the Group with a total net book value of RMB27,144,000 (31 December 2018: RMB22,415,000), and plants of the Group with a total net book value of RMB54,942,000 (31 December 2018: RMB54,228,000) were pledged to secure short-term borrowings. The borrowings were also supported by guarantees from Mr. Ke Mingcai, Mr. Zhang Ayang and an individual third-party (Note 18(c)).

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 2019, the weighted average effective interest rate on borrowings from banks was 7.0% (six months ended 30 June 2018: 7.7%).

14. TRADE, OTHER PAYABLES AND ACCRUALS

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade payables (a)	**6,923**	282
Employee benefit payables	**2,177**	3,066
Advances from customers	**1,571**	465
Other taxes payable	**922**	3,586
Interest payable	**780**	772
Others	**1,014**	4,482
	13,387	12,653

(a) As at 30 June 2019 and 31 December 2018, the aging analysis of the trade payables based on invoice date was as follows:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Within 3 months	**6,780**	282
3 to 6 months	**90**	—
6 to 12 months	**53**	—
	6,923	282

15. DEFERRED INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
At beginning of the period	**1,201**	894
Income statement charge (Note 8)	**(1,047)**	(233)
At end of the period	**154**	661

16. DIVIDENDS

For the six months ended 30 June 2019 and 2018, the Board did not declare any dividend.

17. CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, 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
Mr. Zhang Ayang	Shareholder and Executive Director of the Company

(a) Key management compensation

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Salaries and bonus	**1,770**	2,180
Pension, housing fund, medical insurance and other	**59**	60
	1,829	2,240

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	
	2019	2018
	RMB'000	RMB'000
Amount received from a related party		
— Mr. Ke Mingcai	**—**	654

(c) Guarantees provided by related parties in respect of the Group's short-term borrowings from banks

As at 30 June 2019, the Group's short-term borrowings of RMB13,100,000 were guaranteed by Mr. Ke Mingcai, Mr. Zhang Ayang and an individual third-party via guarantee agreements between these individuals and banks. As at 31 December 2018, the Group's short-term borrowings of RMB20,100,000 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 2019.