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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1580)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the “**Board**”) of directors (the “**Directors**”) of Da Sen Holdings Group Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2017.

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	RMB'000	
Revenue	256,614	208,459	23.1%
Gross profit	58,364	45,946	27.0%
Gross profit margin	22.7%	22.0%	
Total comprehensive income attributable to the shareholders of the Company	30,051	26,756	12.3%
Earnings per share (basic and diluted)	4.0 cents	5.0 cents	(18.6%)
Dividend declared in respect of the period	—	—	

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

<i>“China” or “PRC”</i>	<i>The People’s Republic of China and, except where the context requires and only for the purpose of this announcement, references to China do not include Taiwan, the Hong Kong Special Administrative Region of the People’s Republic of China or the Macao Special Administrative Region of the People’s Republic of China</i>
<i>“HK\$”</i>	<i>Hong Kong dollars, the lawful currency of Hong Kong</i>
<i>“RMB”</i>	<i>Renminbi Yuan, the lawful currency of the PRC</i>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

Plywood products

The Group's plywood products consist of furniture board (家具板), ecological plywood (生態板) (also known as melamine faced board (三聚氰胺貼面板)) and hardwood multi-layered board (實木多層板), which are mainly made of poplar. Customers usually use the Group's plywood products as materials for interior decoration or furniture making, and some customers trade the Group's plywood products to their downstream customers. Those three types of plywood products serve similar functions to customers of the Group and the main differences are on certain specifications, such as the level of moisture content, the hardness and the water resistance capability. The total revenue of the Group is mainly contributed by the sales of plywood products, which accounted for approximately RMB209.1 million, representing approximately 81.5% of the total revenue for the six months ended 30 June 2017.

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. Accordingly, the Group enjoys a stable and relatively lower cost 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 87 customers of plywood products for the six months ended 30 June 2017, out of which the five largest customers contributed for less than 40% 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 60 customers of biomass wood pellets for the six months ended 30 June 2017, out of which the five largest customers contributed for less than 30% of the total revenue of biomass wood pellets.

Future development

Expansion of production capacities

The Group has made a sizable capital investment for the expansion of the production capacities for both plywood products and biomass wood pellets. The Group is currently in the process of the construction of the additional production facilities. It is expected that the new production facilities will be ready for operation by the end of the year 2017, providing additional production capacities to support the Group's business growth.

OUTLOOK

There is a trend of slowdown of economic growth in China. However, management of the Group believes that there would be a stable demand for the Group's products, the plywood products in particular, because customers of the Group source the Group's products mainly for producing non-high-end products, such as furniture and equipment with medium prices, and the market demand on those products are relatively stable in spite of the gradual change in the economy.

There is a recovery trend of the RMB against other foreign currencies over the past few months. Management of the Group observed that such recovery has no impact to the Group's customers who are running export businesses of wooden furniture and fixtures, and management of the Group estimates that those customers will have stable order sizes placed to the Group for the Group's plywood products as their raw materials for production.

There is an understanding that China is keen on looking for clean, efficient and new alternative energy sources mainly to save the scarce natural resources and protect the environment. However, the bioenergy industry in China is still believed to be underdeveloped for the reasons of low biomass production technique, small production scale and high cost of production. Notwithstanding, management of the Group observed that there has been fast development for biomass energy in China in recent years and estimates that the development would sustain in the foreseeable future. Given the Group has already launched the biomass wood pellets, being one form of the biomass energy, for a number of years and also has continuous investment in the research and development of the biomass wood pellets production, management of the Group is optimistic that the Group has competitive advantage in the quality of the products and can capture the potential growing bioenergy market in the foreseeable future.

The setup of the Group's first sales office in Fujian Province in China has been completed and is in operation. The Group secured new customers mainly through referral from existing customers and the participation in industry exhibitions to promote the Group's products in the past. Management of the Group believes that the new sales office would facilitate the Group in reaching new pool of customers in respective regions, boosting the sales of the Group in the near future.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2017, the Group achieved an overall steady growth in revenue of approximately 23.1%, from approximately RMB208.5 million for the six months ended 30 June 2016 to approximately RMB256.6 million for the six months ended 30 June 2017.

The Group's plywood products had more contribution on the revenue growth of the Group for the six months ended 30 June 2017. Revenue arising from plywood products increased from approximately RMB159.2 million for the six months ended 30 June 2016 to approximately RMB209.1 million for the six months ended 30 June 2017, representing a growth rate of approximately 31.3%. Such growth was mainly because of the increased purchase orders from the Group's existing customers during the six months ended 30 June 2017.

The sales of the Group's biomass wood pellets for the six months ended 30 June 2017 was approximately RMB53.1 million, which maintained at a similar level as compared to the sales of approximately RMB52.5 million for the six months ended 30 June 2016.

Gross profit

The overall gross profit margin of the Group maintained at a similar level for the six months ended 30 June 2017, changing from approximately 22.0% for the six months ended 30 June 2016 to approximately 22.7% for the six months ended 30 June 2017.

Other income

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 of the Group's plywood products. Decrease in other income was mainly because of the timing difference in claiming the refund of value-added tax for the six months ended 30 June 2017.

Selling and distribution expenses

The 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 2017. The sales office in Fujian Province started operating in the second quarter of the year 2017, resulting in an increase in the selling and distribution expenses for the six months ended 30 June 2017.

Administrative expenses

There was an increase of approximately RMB5.8 million in administrative expenses for the six months ended 30 June 2017, increasing from approximately RMB10.8 million for the six months ended 30 June 2016 to approximately RMB16.6 million for the six months ended 30 June 2017. The Group incurred additional administrative expenses for the six months ended 30 June 2017 despite listing expenses savings of approximately RMB3.2 million for the six months ended 30 June 2017. Such increase was mainly due to additional research and development expenses of approximately RMB2.3 million incurred for the six months ended 30 June 2017, increasing from approximately RMB2.9 million for the six months ended 30 June 2016 to approximately RMB5.2 million for the six months ended 30 June 2017, mainly to support the product testing and modifications to meet customers' needs. Apart from the above, the Group also incurred losses of approximately RMB3.4 million arising from the impairment of trade receivables for the six months ended 30 June 2017. Management assessed the outstanding balances from customers as at 30 June 2017. After considering, amongst others, the financial condition of the customers, the aging of the outstanding balances and also the recent settlement records of the customers, impairment on specific trade receivables balance have been made. Notwithstanding, management will still strive to follow up all outstanding balances from customers to minimise the loss. In addition, the Group incurred additional employee benefit expenses of approximately RMB0.9 million for the six months ended 30 June 2017 arising from directors' remuneration for independent non-executive directors appointed on 25 November 2016 and also increased directors' remunerations for the existing executive directors for the six months ended 30 June 2017.

Finance expenses

There was an increase in finance expenses for the six months ended 30 June 2017, changing from approximately RMB2.2 million for the six months ended 30 June 2016 to approximately RMB2.6 million for the six months ended 30 June 2017. Such increase in the finance expenses was mainly due to a larger average borrowing amounts for the six months ended 30 June 2017 given similar average effective interest rates were enacted by financial institutions and individual bond subscribers for both periods.

Income tax expenses

There was an increase of approximately RMB0.4 million in the income tax expenses for the six months ended 30 June 2017, which was mainly due to our increase in the operating profits earned in China for the six months ended 30 June 2017.

The overall effective tax rate of the Group decreased from approximately 27.8% for the six months ended 30 June 2016 to approximately 26.3% for the six months ended 30 June 2017. Such decrease was mainly because there were some listing expenses incurred in Hong Kong for the six months ended 30 June 2016 which was not deductible for income tax purpose.

Total comprehensive income attributable to the shareholders of the Company

There was an increase of approximately 12.3% in the total comprehensive income attributable to the shareholders of the Company for the six months ended 30 June 2017, from approximately RMB26.8 million for the six months ended 30 June 2016 to approximately RMB30.1 million for the six months ended 30 June 2017, which was mainly contributed by the increase in sales of plywood products during the six months ended 30 June 2017.

Property, plant and equipment

The Group has two production facilities in Heze City, Shandong Province, China for the production of plywood products and biomass wood pellets, respectively. During the six months ended 30 June 2017, the Group has contributed capital investments of approximately RMB50.1 million in expanding the production capacities of both production facilities. Such expansion is expected to be completed within the year 2017 to provide new additional production capacities.

As at 30 June 2017, items of property, plant and equipment with carrying amount of approximately RMB57.3 million were pledged to the financial institution as security for some of the bank borrowings advanced to the Group.

Inventory

The Group inventory balances as at 30 June 2017 comprised of raw materials, work in progress and finished goods for both plywood products and biomass wood pellets. Increase in the inventory balance of approximately RMB29.8 million, from approximately RMB46.6 million as at 31 December 2016 to approximately RMB76.4 million as at 30 June 2017, was mainly due to more raw materials and finished goods of plywood products stored up as at 30 June 2017 to support the new sales office in Fujian Province, China, which has been in operation since the second quarter of the year 2017.

Trade receivables

Trade receivables balance as at 30 June 2017 mainly represented outstanding balance from customers of plywood products. There was an increase in trade receivables balance before allowance for impairment of approximately RMB35.0 million, from approximately RMB128.6 million as at 31 December 2016 to approximately RMB163.6 million as at 30 June 2017. In spite of the increase in the trade receivables balance, most of the receivables were still current in nature.

The Group has performed an impairment assessment on those aged outstanding balance from customers as at 30 June 2017. Some customers encountered financial difficulties, resulting a slowdown in settling the outstanding balances. A specific impairment assessment has been performed to most of the Group's major customers. After considering, amongst others, the financial condition of the customers, the aging of the outstanding the balances and also the recent settlement records of the customers, approximately RMB6.1 million of provision for impairment of trade receivables balance was recorded as at 30 June 2017. Notwithstanding, the Group is following up closely for all outstanding balances to minimise any losses of the Group.

Cash and cash equivalents

Upon the successful listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 19 December 2016, the Group has received net proceeds of approximately RMB110.0 million, which strengthened the liquidity level of the Group. During the six months ended 30 June 2017, the Group has utilised approximately RMB50.6 million for the capital investments in the production facilities of the Group to expand the production capacities, and also spent approximately RMB29.1 million for the purchase of raw materials and the production of plywood products to maintain a higher level of stocks after the sales office in Fujian Province, China has started operating since the second quarter of the year 2017.

Borrowings

The source of financing of the Group was mainly from banks. As at 30 June 2017, the Group had bank borrowings of RMB55 million advanced from banks located in China. All of the bank borrowings were 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 RMB80.2 million were pledged to some of the banks to secure the bank borrowings advanced to the Group. There were repayments of some bank borrowings of RMB29 million during the six months ended 30 June 2017 upon their expiries. The Group is currently negotiating better borrowing terms with banks and it is expected that there will be some additional borrowings in the foreseeable future if the Group is offered more favourable terms from lenders to support the steady growth of the Group's existing business.

In addition to the bank borrowings, the Group started issuing long-term straight bonds to some individuals as another channel of financing to the Group. Up to 30 June 2017, the Group has issued bonds with a total principal amount of approximately RMB12.2 million. The maturity periods of the bonds issued by the Group range from 3.5 years to 7.5 years. The Group considers it as a supplement to the Group's short-term bank borrowings to support the Group's long-term expansion.

FINANCIAL INFORMATION

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June 2017 RMB'000	Audited 2016 RMB'000
Revenue	3	256,614	208,459
Cost of sales		(198,250)	(162,513)
Gross profit		58,364	45,946
Selling and distribution expenses		(759)	(491)
Administrative expenses		(16,638)	(10,846)
Other income		3,466	4,854
Other losses		(1,126)	(225)
Operating profit	4	43,307	39,238
Finance income		15	3
Finance expenses		(2,551)	(2,192)
Finance expenses – net		(2,536)	(2,189)
Profit before income tax		40,771	37,049
Income tax expense	5	(10,720)	(10,293)
Profit for the period attributable to the shareholders		30,051	26,756
Earnings per share for profit attributable to the shareholders during the period (expressed in RMB cents per share)			
– Basic and diluted	6	<u>4.03</u>	<u>4.95</u>
Other comprehensive income		—	—
Total comprehensive income for the period and attributable to the shareholders		<u>30,051</u>	<u>26,756</u>

Interim condensed consolidated balance sheet

As of 30 June 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Assets			
Non-current assets			
Land use rights		23,245	23,300
Property, plant and equipment		147,131	99,813
Deferred income tax assets		1,419	1,071
		<u>171,795</u>	<u>124,184</u>
Current assets			
Inventories		76,374	46,581
Trade and other receivables	7	162,132	128,148
Cash and cash equivalents		31,503	127,690
		<u>270,009</u>	<u>302,419</u>
Total assets		<u>441,804</u>	<u>426,603</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	8	6,635	6,393
Share premium	8	111,012	95,750
Capital and other reserves		45,126	45,126
Retained earnings		174,569	144,518
		<u>337,342</u>	<u>291,787</u>
Total equity		<u>337,342</u>	<u>291,787</u>
Liabilities			
Non-current liabilities			
Borrowings	9	11,764	—
Deferred income		404	417
		<u>12,168</u>	<u>417</u>
Total non-current liabilities		<u>12,168</u>	<u>417</u>
Current liabilities			
Trade and other payables	10	14,394	29,905
Current income tax liabilities		22,900	19,471
Borrowings	9	55,000	85,023
		<u>92,294</u>	<u>134,399</u>
Total current liabilities		<u>92,294</u>	<u>134,399</u>
Total liabilities		<u>104,462</u>	<u>134,816</u>
Total equity and liabilities		<u>441,804</u>	<u>426,603</u>

Notes:

1 General information

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

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

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

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

This condensed consolidated interim financial information has been reviewed, not audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards.

3 Revenue

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Total segment revenue		
– Sales of plywood products	209,060	159,216
– Sales of biomass wood pellets	53,090	52,519
Inter-segment revenue	(5,536)	(3,276)
	<u>256,614</u>	<u>208,459</u>

4 Operating Income

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods and work-in-progress	(18,118)	(130)
Raw materials and consumables used	200,832	148,369
Employee benefit expenses	13,569	11,028
Depreciation and amortisation	2,878	2,857
Provision for receivables impairment	3,407	—
Refund of value added tax	(1,664)	(3,519)
	<u>(1,664)</u>	<u>(3,519)</u>

5 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	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	11,068	10,471
Deferred income tax	(348)	(178)
	<u>11,068</u>	<u>10,471</u>
Total income tax	<u>10,720</u>	<u>10,293</u>

(i) Cayman Islands profit tax

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

(ii) British Virgin Islands profits tax

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

(iii) Hong Kong profits tax

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profit tax rate is 16.5% (30 June 2016: 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 tax rate is 25% (30 June 2016: 25%) for the period.

(v) PRC withholding income tax

According to the new CIT Law, a 10% withholding tax will be levied on the immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies. During the period, no withholding tax has been provided as the directors have confirmed that the Group does not expect the PRC subsidiaries to distribute the retained earnings as at 30 June 2017 in the foreseeable future.

6 Earnings per share

(a) Basic

Basic earnings per share for the six months ended 30 June 2017 and 2016 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	
	2017	2016
	RMB'000	RMB'000
Profit attributable to the shareholders of the Company	30,051	26,756
Weighted average number of ordinary shares in issue (i) (thousands)	746,254	540,000
Basic earnings per share (RMB cents per share)	<u>4.03</u>	<u>4.95</u>

(i) In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2017 and 2016, a capitalisation of 539,980,000 shares by debiting the share premium on 19 December 2016 has been regarded as if these shares had been in issue since 1 January 2016.

(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 2017 and 2016, 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.

7 Trade and other receivables

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Trade receivables	163,606	128,621
Less: Allowance for impairment of receivables	(6,099)	(2,692)
	<hr/>	<hr/>
Trade receivables – net	157,507	125,929
Prepayments for raw materials	3,713	1,141
Other receivables	912	1,078
	<hr/>	<hr/>
	162,132	128,148
	<hr/> <hr/>	<hr/> <hr/>

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.

As at 30 June 2017 and 31 December 2016 the aging analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Up to 3 months	104,357	92,713
4 to 6 months	36,802	30,372
7 to 12 months	19,143	5,428
Over 1 year	3,304	108
	<hr/>	<hr/>
	163,606	128,621
	<hr/>	<hr/>
Less: provision for impairment	(6,099)	(2,692)
	<hr/>	<hr/>
	157,507	125,929
	<hr/> <hr/>	<hr/> <hr/>

8 Share capital and share premium

	Number of ordinary shares '000	Amount		
		Share capital RMB'000	Share premium account RMB'000	Total RMB'000
Balance at 1 January 2017	720,000	6,393	95,750	102,143
Issue of ordinary shares (Note)	27,000	242	15,262	15,504
Balance at 30 June 2017	<u>747,000</u>	<u>6,635</u>	<u>111,012</u>	<u>117,647</u>
Balance at 1 January 2016 and 30 June 2016	<u>20</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note: On 6 January 2017, an aggregate of 27,000,000 ordinary shares of the Company were issued at a price of HK\$ 0.70 pursuant to the exercise of an over-allotment option in connection with the initial public offering of the Company in December 2016. The gross proceeds raised was HK\$ 18,900,000 (approximately RMB 16,907,000). The transaction costs of RMB 1,403,000 were debited to the share premium account.

9 Borrowings

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Non-current		
Bonds (i)	<u>11,764</u>	<u>—</u>
Current		
Short-term bank borrowings, secured	55,000	78,000
Short-term bank borrowings, unsecured	—	6,000
Add: Current portion financial lease liabilities	—	1,023
	<u>55,000</u>	<u>85,023</u>
Total Borrowings	<u>66,764</u>	<u>85,023</u>

(i) The bonds of the Group comprised the followings:

During the six months ended 30 June 2017, the Company issued bonds with coupon rates ranging from 6.0% to 6.5% in Hong Kong to individual third parties. The maturity periods of these bonds ranges from 36 months to 90 months and interests will be payable every year.

Movements in borrowings is analysed as follows:

	<i>RMB'000</i>
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)
	<u>66,764</u>
Closing amount as at 30 June 2017	
	<u><u>66,764</u></u>
Six months ended 30 June 2016	
Opening amount 1 January 2016	50,812
Proceeds from bank borrowings	61,000
Repayments of bank borrowings	(38,000)
Repayments of financial lease	(1,479)
	<u>72,333</u>
Closing amount as at 30 June 2016	
	<u><u>72,333</u></u>

The Group's bank borrowings were secured by plants of the Group with net book value of RMB 57,276,000 (31 December 2016: RMB 58,321,000), land use rights of the Group with net book value of RMB 22,957,000 (31 December 2016: RMB 23,300,000), as of 30 June 2017. The borrowings were also supported by guarantees from related parties.

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

10 Trade and other payables

	As at 30 June 2017 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
Trade payables	2,872	3,610
Employee benefit payables	6,706	8,147
Advances from customers	1,233	1,482
Other taxes payable	1,213	2,797
Payable for construction projects and purchase of property, plant and equipment	202	151
Payable for professional fees in respect of initial public offering	31	11,161
Others	2,137	2,557
	<u>14,394</u>	<u>29,905</u>

As at 30 June 2017 and 31 December 2016, the aging analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Within 3 months	2,839	3,610
4 to 6 months	33	—
	<u>2,872</u>	<u>3,610</u>

The carrying amounts of the Group's trade and other payables were mainly denominated in RMB and approximated their fair values as at the respective balance sheet dates.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect for the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2017.

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

Neither the Company nor any of the subsidiaries of the Company purchased, redeemed or sold the listed securities of the Company during the six months ended 30 June 2017.

EXTERNAL AUDITORS

PricewaterhouseCoopers, certified public accountants (practising), has been engaged to review the interim financial information of the Group for the six months ended 30 June 2017 (the "Interim Financial Information") in accordance with International Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The financial information in this announcement is extracted from the Interim Financial Information reviewed by PricewaterhouseCoopers.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017 including the accounting principles and practices adopted by the Group.

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

Hong Kong, 30 August 2017

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