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 2019

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 2019.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	**Change**
	RMB'000	*RMB'000*	
Revenue	**155,088**	216,799	(28.5%)
Gross profit	**14,050**	32,649	(57.0%)
Gross profit margin	**9.1%**	15.1%	
Total comprehensive income attributable to the shareholders of the Company	**4,438**	13,741	(67.7%)
Earnings per share (basic and diluted)	**0.5 cents**	1.5 cents	(66.7%)
Dividend proposed in respect of the period	**—**	—	

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

"China" or "PRC"	*The People's Republic of China 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*
"HK$"	*Hong Kong dollars, the lawful currency of Hong Kong*
"RMB"	*Renminbi Yuan, the lawful currency of the PRC*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal business is 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 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, there have been abundant resources of poplars, which provides a solid supply base for the Group's manufacture of plywood products on a sustainable basis. In addition, 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 totally 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, 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 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. 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 recently have given challenges to the manufacturing industry in the PRC. 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.

Trade receivables

The Group's trade receivables balance as at 30 June 2019 mainly represented outstanding balance from customers of plywood products. There was a decrease in trade receivables balance before allowance for impairment from approximately RMB195.5 million as at 31 December 2018 to approximately RMB188.6 million as at 30 June 2019, which is mainly attributed to the settlement by some long overdue customers during the six months ended 30 June 2019.

The Group has performed an impairment assessment on those aged outstanding balance from customers as at 30 June 2019 using the expected credit loss approach. Approximately RMB5.6 million of provision for impairment of trade receivables balance was recorded as at 30 June 2019. Notwithstanding, management of the Group is following up closely all outstanding balances to minimise any losses to the Group.

Cash and cash equivalents

The Group's cash and cash equivalents mainly represented bank balance deposited in creditworthy financial institutions located in China. Most of the bank balances are denominated in RMB. Increase in balance during the six months ended 30 June 2019 was mainly due to fund of approximately RMB27.9 million raised from the issue of 78,000,000 new shares of the Company at HK$0.41 completed on 17 June 2019.

Borrowings

The source of debt financing of the Group was mainly from financial institutions in China and also individual bondholders.

As at 30 June 2019, the Group had bank borrowings of RMB32.9 million advanced from financial institutions located in China, decreasing from RMB41.0 million as at 31 December 2018. All of the bank borrowings are current in nature and subject to renewal upon maturity. Certain items of property, plant and equipment and also the land use rights with carrying amounts of approximately RMB82.1 million were pledged to the financial institutions to secure the bank borrowings advanced to the Group.

In addition to the bank borrowings, the Group issued both short-term and long-term straight bonds to some individuals as another channel of financing to the Group. As at 30 June 2019, the Group has outstanding bonds with a total principal amount of HK$31.5 million (RMB27.7 million). The maturity periods of the bonds issued by the Group range from 12 months to 90 months. The Group considers them as a supplement to the Group's short-term borrowings to support the Group's long-term expansion.

All of the borrowings were arranged at fixed interest rates.

FINANCIAL INFORMATION

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2019

	Note	**Unaudited**	Unaudited
		Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
Revenue	*4*	**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 gain/(losses) — net		**340**	(270)
Operating profit	*5*	**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	*6*	**(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	*7*	**0.49**	1.53

Interim condensed consolidated balance sheet
As of 30 June 2019

	Note	**Unaudited 30 June 2019** *RMB'000*	Audited 31 December 2018 *RMB'000*
Assets			
Non-current assets			
Land use rights		**27,144**	24,549
Property, plant and equipment		**158,059**	161,089
Deferred income tax assets		**962**	1,707
Prepayment		**3,650**	5,939
Right-of-use assets		**678**	—
		190,493	193,284
Current assets			
Inventories		**135,060**	107,990
Trade and other receivables	*8*	**187,242**	193,743
Cash and cash equivalents		**57,110**	48,298
		379,412	350,031
Total assets		**569,905**	543,315
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*9*	**8,592**	7,906
Share premium	*9*	**212,503**	185,321
Capital and other reserves		**52,942**	52,942
Retained earnings		**210,556**	206,118
Total equity		**484,593**	452,287
Liabilities			
Non-current liabilities			
Borrowings	*10*	**22,111**	23,847
Lease liabilities		**176**	—
Deferred income		**2,265**	369
Deferred income tax liabilities		**808**	506
		25,360	24,722

	Note	**Unaudited 30 June 2019** ***RMB'000***	Audited 31 December 2018 *RMB'000*
Current liabilities			
Trade and other payables	*11*	**13,387**	12,653
Current income tax liabilities		**8,715**	8,274
Borrowings	*10*	**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

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 by the audit committee of the Company.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard 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 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 information 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.

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

3 ACCOUNTING POLICIES – continued

(b) New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 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.

(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%.

3 ACCOUNTING POLICIES – continued

(c) Impact from changes in accounting policies – continued

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

	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

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

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

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

3 ACCOUNTING POLICIES – continued

(c) Impact from changes in accounting policies – continued

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

(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)

(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.

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

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).

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 REVENUE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Total segment revenue		
– Sales of plywood products	**147,558**	183,262
– Sales of biomass wood pellets	**16,266**	38,309
Inter-segment revenue	**(8,736)**	(4,772)
	155,088	216,799

5 OPERATING PROFIT

	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	**3,352**	3,316
Depreciation of right-of-use assets	**251**	—
(Reversal of)/provision for net impairment losses on financial assets	**(2,216)**	578
Refund of value added tax	**(796)**	(1,628)

6 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
Total income tax	**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.

(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 income 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.

6 INCOME TAX EXPENSE – continued

(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 2019 in the foreseeable future.

7 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
	RMB'000	*RMB'000*
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.

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Trade receivables	**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

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

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

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*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

9 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Amount		
		Share capital	Share premium	Total
	'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	896,400	7,906	185,321	193,227
Placing of new Shares *(Note)*	78,000	686	27,182	27,868
Balance at 30 June 2019	974,400	8,592	212,503	221,095
Balance at 1 January 2018 and Balance at 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 RMB28,100,000). The transaction cost of approximately RMB247,000 were debited to the share premium account.

10 BORROWINGS

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

(a) The Company has issued bonds with coupon rates ranging from 6.0% to 8.0% in Hong Kong to individual third parties. The maturity periods of these bonds ranges from 12 months to 90 months and interests will be payable every year.

10 BORROWINGS – continued

The Group's bank borrowings were secured by plants of the Group with net book value of approximately RMB54,942,000 (31 December 2018: RMB54,228,000), land use rights of the Group with net book value of RMB27,144,000 (31 December 2018: RMB22,415,000), as of 30 June 2019. 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.

11 TRADE AND OTHER PAYABLES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Trade payables	**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

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

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

INTERIM DIVIDEND

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

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 2019.

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 2019.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019 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, 29 August 2019

As at the date of this announcement, the executive Directors are Mr. KE Mingcai, Mr. CHAI Kaw Sing, Mr. WONG Ben, 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.