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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



On 9 November 2017 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 149,400,000 Placing Shares at the Placing Price of HK\$0.60 per Placing Share to not less than six Placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 9 June 2017.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of Placing Shares under the Placing represent (i) 20% of the existing issued share capital of the Company of 747,000,000 Shares as at the date of this announcement; and (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing Price of HK\$0.60 per Placing Share represents (i) a discount of approximately 9.1% to the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 13.0% to the average closing price of approximately HK\$0.69 per Share in the last five trading days prior to the date of the Placing Agreement.

Subject to completion of the Placing, it is expected that the maximum gross proceeds and net proceeds from the Placing will be approximately HK\$89.6 million and HK\$88.7 million respectively. On such basis, the net issue price will be approximately HK\$0.59 per Placing Share.

Since completion of the Placing is subject to the fulfillment of the condition as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Board announces that on 9 November 2017 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 149,400,000 Placing Shares at the Placing Price of HK\$0.60 per Placing Share to not less than six Placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties. The principal terms of the Placing Agreement are set out below.

THE PLACING AGREEMENT

Date

9 November 2017 (after trading hours)

Issuer

The Company

Placing Agent

KGI Asia Limited

The Placing Agent has conditionally agreed to use its best efforts to procure purchasers for the Placing Shares at the Placing Price. The Placing Agent will charge the Company a placing commission equivalent to 0.7% of the Placing Price in respect of such number of Placing Shares successfully placed by the Placing Agent plus any other out-of-pocket charges and expenses by the Placing Agent in relation to the Placing. The Directors are of the view that the placing commission is fair and reasonable.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its associates are Independent Third Parties. As at the date of this announcement, the Placing Agent and its associates were not interested in any Share.

Placees

The Placing Agent will, on a best effort basis, place the Placing Shares to not less than six Placees, who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties. It is expected that none of the Placees will become a substantial shareholder (as defined in the Listing Rules) immediately after completion of the Placing.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of Placing Shares under the Placing represent (i) 20% of the existing issued share capital of the Company of 747,000,000 Shares as at the date of this announcement; and (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

Ranking of Placing Shares

The Placing Shares will rank, upon allotment and issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.60 per Placing Share represents (i) a discount of approximately 9.1% to the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 13.0% to the average closing price of approximately HK\$0.69 per Share in the last five trading days prior to the date of the Placing Agreement.

The terms of the Placing and the Placing Price were determined with reference to the prevailing market prices of the Shares and were negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Placing is in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing Agreement

Completion of the Placing is conditional upon the satisfaction of the following conditions by not later than 29 November 2017 (or such later date as may be agreed between the Placing Agent and the Company in writing) (the “**Long-stop Date**”):

- (a) there shall not have occurred any material breach or any event which renders any of the representations, warranties or undertakings by the Company under the Placing Agreement untrue, inaccurate or misleading;
- (b) listing of and permission to deal in all the Placing Shares being granted (subject only to allotment) by the Listing Committee of the Stock Exchange (and such listing and permission not subsequently being revoked);
- (c) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Placing void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material adverse conditions or obligations with respect to the Placing (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company to proceed with the Placing); and
- (d) the Placing Agreement not being rescinded or terminated by the Placing Agent pursuant to the terms of the Placing Agreement.

If the above conditions are not fulfilled by the Long-stop Date, the obligations and liabilities of the Company under the Placing Agreement and the Placing shall be null and void and the Company shall be released from all rights and obligations pursuant to the Placing Agreement and the Placing except (i) the Company shall remain liable for the payment of all costs and expenses already incurred or to be incurred in consequence of such termination, (ii) any antecedent breach of any of the obligations and liabilities of the Placing Agreement and (iii) that the provisions on indemnity in the Placing Agreement shall remain in full force and effect.

Completion of the Placing

Completion of the Placing shall take place on the fourth Business Day after the fulfillment of the above conditions or on such other date as the Company and the Placing Agent may agree in writing (“**Completion Date**”).

Rescission and termination

At any time on or prior to 4:30 p.m. on the Completion Date,

- (1) if:
 - (a) any statement (save and except statement of the Placing Agent, the Placees and the sub-agents appointed by the Placing Agent) contained in this announcement was, when this announcement was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (b) any of the undertakings, warranties and representations by the Company set out in the Placing Agreement is untrue, inaccurate or misleading in any material respect if given at that time; or
- (2) if there develops, occurs, or comes into effect:
 - (a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not *sui generis* with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the sole and absolute opinion of the Placing Agent would have a material adverse impact on the success of the Placing; or
 - (b) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which, in the sole and absolute opinion of the Placing Agent, would have a material adverse impact on the success of the Placing; or
 - (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Cayman Islands, Hong Kong or the PRC and if in the sole and absolute opinion of the Placing Agent any such new law or change would materially and adversely affect the business or financial prospects of the Group taken as a whole and/or have an adverse impact on the success of the Placing; or
 - (d) any litigation or claim of material importance of any third party being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial prospects of the Group taken as a whole and which in the sole and absolute opinion of the Placing Agent would materially prejudice the success of the Placing; or

(e) any suspension of dealings in the Shares for any period whatsoever (other than as a result of the Placing or pending publication of this announcement),

then and in any such case, the Placing Agent may, by giving a written notice to the Company rescind the Placing Agreement without liability to the other party to the Placing Agreement, the Placing Agreement shall thereupon cease to have effect, and none of the parties to the Placing Agreement shall have any rights or claims by reason of such termination, save for any antecedent breach of any obligations or liabilities.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

GENERAL MANDATE TO ALLOT AND ISSUE OF THE PLACING SHARES

The Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Accordingly, the issue of the Placing Shares is not subject to the approval of the Shareholders.

The Company is authorised to issue up to 149,400,000 Shares under the General Mandate. Up to the date of this announcement, no Share has been issued under the General Mandate. The maximum of 149,400,000 Placing Shares to be allotted and issued will fully utilise the General Mandate.

APPLICATION FOR LISTING OF PLACING SHARES

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the manufacture and sale of plywood products and biomass wood pellets in the PRC, and both of which are made from wood.

Subject to completion of the Placing, it is expected that the maximum gross proceeds and net proceeds (after deducting placing commission and other relevant costs and expenses) from the Placing will be approximately HK\$89.6 million and HK\$88.7 million respectively. On such basis, the net issue price will be approximately HK\$0.59 per Placing Share.

All of the net proceeds from the Placing are intended to be used to finance the construction of a new production facilities located in the Chengwu County, Heze City, Shangdong Province, the PRC (the “**New Production Facilities**”). The New Production Facilities will have a gross floor area of approximately 26,000 square meters. It is planned that the New Production Facilities will have a total of five production lines, all of which will be used to manufacture plywood veneers which are one of the key raw materials for the Group’s plywood products.

From the recent industry performance, the market demand for biomass wood pellets remained flat with slight growth. However, the market demand for plywood products experienced steady increase and the Directors believe that the plywood product industry will continue to grow. Consequently, the Directors plan to place more resources and efforts in developing the Group’s plywood product segment to grasp the industry growth.

By vertically integrating the production process for the Group’s plywood products through the construction of the New Production Facilities, it will bring to the Group the benefit of securing a stable supply of one of the key raw materials for the Group’s plywood products in a more efficient and cost effective way.

In addition, there will be wood residues generated during the production process of the plywood veneer in the New Production Facilities. Those wood residues can be used as free supplies of raw materials for the production of the biomass wood pellets and the Directors believe that it can help lower the production costs of the biomass wood pellets and therefore further increase the overall profitability of the Group.

As at the date of this announcement, the Group had identified the plot of land on which the New Production Facilities are to be built.

The estimated total investment amount of the New Production Facilities is approximately RMB91.7 million, of which approximately RMB75.5 million will be financed by the net proceeds from the Placing and the remaining of approximately RMB16.2 million will be financed by either: (i) internal resources of the Group; (ii) (subject to the Board’s approval on the change of use) the unused net proceeds from the initial public offering of the Shares in December 2016; or (iii) debt financing from financial institutions, or a combination of the above.

The construction of the New Production Facilities will be completed in two phases and it is expected that the New Production Facilities will first commence production in February 2018. Below sets out further details of the New Production Facilities:

Phase of construction	Product	Expected commencement date of construction	Expected commencement date of operation	Estimated investment amount
Phase one	Plywood veneers	December 2017	February 2018	RMB52,000,000
Phase two	Plywood veneers	April 2018	June 2018	RMB39,700,000

Having compared with other possible ways to raise fund, the Directors are of the view that the Placing will provide a good opportunity to raise funds to finance the construction of the New Production Facilities in a more effective way as well as to widen the Shareholder base. Accordingly, the Directors, including the independent non-executive Directors, consider that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activity in the past 12 months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing (assuming that there will be no other change in the shareholding structure of the Company before the allotment and issue of the Placing Shares under the Placing) are set out below:

Shareholders	As at the date of this announcement		Immediately upon completion of the Placing	
	Number of issued Shares	Approximate percentage	Number of issued Shares	Approximate percentage
Mr. KE Mingcai (<i>note</i>)	190,843,200	25.55%	190,843,200	21.29%
Mr. WANG Songmao (<i>note</i>)	52,056,000	6.97%	52,056,000	5.81%
Mr. LIN Qingxiong (<i>note</i>)	41,637,600	5.57%	41,637,600	4.64%
Ms. WU Haiyan (<i>note</i>)	31,212,000	4.18%	31,212,000	3.48%
Mr. WU Shican (<i>note</i>)	24,300,000	3.25%	24,300,000	2.71%
Sub total:	340,048,800	45.52%	340,048,800	37.93%
Public Shareholders				
The Placees	—	—	149,400,000	16.67%
Other public Shareholders	<u>406,951,200</u>	<u>54.48%</u>	<u>406,951,200</u>	<u>45.40%</u>
Total:	<u>747,000,000</u>	<u>100.00%</u>	<u>896,400,000</u>	<u>100.00%</u>

Note: Mr. KE Mingcai, Mr. WANG Songmao, Mr. LIN Qingxiong, Ms. WU Haiyan and Mr. WU Shican are concert party pursuant to the concert party agreement dated 3 March 2016.

Since completion of the Placing is subject to the fulfillment of the condition as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the annual general meeting of the Company convened on 9 June 2017
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and a public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 09:00 and 17:00 on weekdays) on which commercial banks generally are open for business throughout their normal business hours in Hong Kong and the Stock Exchange is open for business of dealing in securities throughout its normal trading hours
“Company”	Da Sen Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue or deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons and is not acting in concert (as defined in the Codes on Takeovers and Mergers and Share Buy-backs) with any of the connected persons of the Company or any of their respective associates (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, corporates, institutional investors or other investors to be procured by or on behalf of the Placing Agent under the Placing
“Placing”	the offer by way of private placing of the Placing Shares by or on behalf of the Placing Agent to the Placee(s) on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	KGI Asia Limited, the placing agent and a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in Hong Kong
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 9 November 2017 in relation to the Placing under the General Mandate
“Placing Price”	HK\$0.60 per Placing Share
“Placing Shares”	an aggregate of up to 149,400,000 new Shares to be placed pursuant to the Placing Agreement and each a “Placing Share”
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 10 November 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.