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## Da Sen Holdings Group Limited

## 大森控股集團有限公司

(Stock Code: 1580)

### ANNOUNCEMENT

### CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Da Sen Holdings Group Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) dated 7 December 2016 (the “**Prospectus**”) in relation to the global offering and listing of the shares of the Company on the main board of The Stock Exchange of Hong Kong Limited (the “**Global Offering**”). Reference is also made to the annual report of the Group for the year ended 31 December 2016 and the interim report of the Group for the six months ended 30 June 2017. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meaning as defined in the Prospectus.

#### USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting the underwriting fees and expenses in connection with the Global Offering, was approximately HK\$125.2 million (equivalent to approximately RMB110.0 million). As disclosed in the section headed “Future plans and use of proceeds” of the Prospectus, the net proceeds received from the Global Offering were intended to be used in the following manner:

- approximately 32.1% or HK\$40.2 million (equivalent to approximately RMB35.3 million) to be used for installation of one production line for plywood, including purchases of production equipment;
- approximately 28.6% or HK\$35.8 million (equivalent to approximately RMB31.5 million) to be used for installation of one production line for biomass wood pellets, including purchases of production equipment;
- approximately 14.9% or HK\$18.6 million (equivalent to approximately RMB16.4 million) to be used to finance the expansion of the Group’s sales and marketing networks for better growth of the Group’s sales in both plywood and biomass wood pellets businesses, including setting up the sales and marketing office in five sales points in China;

- approximately 4.2% or HK\$5.3 million (equivalent to approximately RMB4.6 million) to be used to fund the Group’s promotional activities for its brand building and improving market awareness of its plywood and biomass wood pellets products;
- approximately 5.6% or HK\$7.0 million (equivalent to approximately RMB6.2 million) to be used to fund the Group’s research and development activities;
- approximately 4.6% or HK\$5.8 million (equivalent to approximately RMB5.0 million) to be used to fund the Group’s technical support team; and
- approximately 10.0% or HK\$12.5 million (equivalent to approximately RMB11.0 million) to be used for working capital and other general corporate purposes.

As of the date of this announcement, the Group had used approximately HK\$61.4 million (equivalent to approximately RMB54.5 million) of the net proceeds and an approximately HK\$63.8 million (equivalent to approximately RMB55.5 million) remains utilised as at the date of this Announcement.



## REASONS FOR THE CHANGE IN USE OF PROCEEDS

The Group intends to construct a new production facilities located in the Chengwu County, Heze City, Shangdong Province, the PRC (the “**New Production Facilities**”). 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.

The Company originally planned to use approximately HK\$5.3 million (equivalent to approximately RMB4.6 million) for promotional activities, approximately HK\$7.0 million (equivalent to approximately RMB6.2 million) for research and development activities and approximately HK\$5.8 million (equivalent to approximately RMB5.0 million) for technical support.

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. From the Group’s interim results for the six months ended 30 June 2017, the Group’s revenue 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 while the revenue from biomass wood pellets was maintained at similar level of approximately RMB52.5 million and RMB53.1 million, respectively, for the six months ended 30 June 2016 and 2017.

The Directors further believe that the construction of the New Production Facilities would enable the Group to vertically integrate the production process for the Group’s plywood products which 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.

Given the anticipated slow growth for the biomass wood pellets in the near future, the Group will place more resources on the development of its plywood products. The net proceeds from the Global Offering originally allocated for promotional activities, research and development and technical support covers both the plywood products and biomass wood pellets. In addition, such usages are of no urgency for the Group’s development. After consideration of the existing growth for the biomass wood pellets and overall benefits the New Production Facilities may bring to the Group, the Directors are of the view that it will be a better alternative to reallocate such net proceeds to finance part of the investment cost of the New Production Facilities. For more details of the New Production Facilities, please also refer to the paragraph headed “Reasons for the Placing and use of proceeds” in the Company’s announcement dated 10 November 2017 in relation to the placing of new shares under general mandate.

The Board confirms that there are no material changes in the principal business of the Group as set out in the Prospectus and considers that the aforesaid change in the use of the net proceeds from the Global Offering will facilitate an effective use of the financial resources of the Group, strengthen the future development of the Group and is in the best interest of the Company and its shareholders as a whole.

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

Hong Kong, 29 December 2017

Attest: Secretary, AN  
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