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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Reference is made to the annual report (the “**Annual Report**”) of Da Sen Holdings Group Limited (the “**Company**”) for the year ended 31 December 2017. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meaning as defined in the Annual Report.

The Company would like to provide additional information in relation to the use of proceeds from the Company’s initial public offering (the “**Global Offering**”) and the placing of new shares under the paragraphs headed “Use of proceeds from the Company’s initial public offering” and “Use of proceeds from the placing of new shares” in the Annual Report.

Use of proceeds from the Company’s initial public offering

As disclosed in the announcement of the Company dated 29 December 2017 in relation to the change of use of proceeds from the Global Offering, the Company’s updated plan for the use of the net proceeds from Global Offering is as follows:

	Net proceeds	
	HK\$ (million)	RMB equivalent (million)
Production lines for plywood products and biomass wood pellets	76.0	66.8
Expansion of sales and marketing network	18.6	16.4
General working capital	12.5	11.0
New Production Facilities (as defined in the Placing Announcement)	18.1	<u>15.8</u>
		<u><u>110.0</u></u>

Status of use of proceeds from Global Offering

As at 31 December 2017, out of the net proceeds of approximately RMB110.0 million received from the Global Offering, the Group has utilised approximately RMB84.3 million as intended and set out in the prospectus (the “**Prospectus**”) of the Company dated 7 December 2016 and for the New Production Facilities as disclosed in the announcement (the “**Placing Announcement**”) of the Company dated 10 November 2017 in relation to the placing of new shares by the Company (the “**Placing**”), in the following manner:

		Utilisation of net proceeds as at		Unutilised net proceeds
	Allocation of net proceeds	31 December 2017		
Notes	RMB (million)	RMB (million)		RMB (million)
Production lines for plywood products and biomass wood pellets	(i)	66.8	(52.2)	14.6
Expansion of sales and marketing network	(ii)	16.4	(5.3)	11.1
General working capital	(iii)	11.0	(11.0)	—
New Production Facilities		15.8	(15.8)	—
		<u>110.0</u>	<u>(84.3)</u>	<u>25.7</u>

Note (i): The Group experienced delay in the completion of the construction of a new production line for biomass wood pellets. As stated in the Prospectus, the Group’s original plan is to complete the construction and installation of the new production line for biomass wood pellets by the second quarter of the year 2017. However, the Ministry of Natural Resources of the People’s Republic of China (“MoNR”) is still in the process of approving the Group’s application for the grant of the land for use for the construction of the new production plant, and therefore caused the delay in the construction of the production plant and purchase of machineries for the new production line for biomass wood pellets. It is uncertain as to when the approval from MoNR is obtained. The Group has been following up closely for the status of the application for the grant of the land. Upon the grant of the land is obtained, the Group will proceed to complete the relevant procedures in obtaining the land use right and apply the unutilised net proceeds from the Global Offering for such new production plant as its original intended use.

Note (ii): The Group has successfully identified a suitable venue in Fujian Province, China and set up the first branch office during the year ended 31 December 2017. The Group is still in the process of searching for suitable venues for setting up another four new branch offices in China. The Directors consider that more time is required to identify suitable venues for the Group’s branch offices because the Group targets to set up these offices in locations which strategically would bring to the Group the benefit of promoting and marketing Group’s plywood products and biomass wood pellets in the most cost effective way. The Group will use the unutilised proceeds for such purposes when suitable locations are identified.

Note (iii): The Group has used this RMB11.0 million allocated for general working capital purpose for the payment of operating costs for the administrative office in Hong Kong, the payment of finance costs and the payment for purchase of raw materials for production of plywood products and biomass wood pellets during the year ended 31 December 2017.

Use of proceeds from Placing

As disclosed in the Placing Announcement, the Company plans to use all of the net proceeds from the Placing to finance the New Production Facilities.

Status of use of proceeds from Placing

As at 31 December 2017, out of the net proceeds of approximately HK\$88.7 million (equivalent to approximately RMB75.6 million) received from Placing, the Group has utilised approximately RMB28.4 million as intended and set out in the Placing Announcement. The Group experienced delay in the construction of the New Production Facilities. As stated in the Placing Announcement, the Group's original plan is to complete the phase one construction of the New Production Facilities by the end of February 2018, and to complete the phase two construction of the New Production Facilities by the end of June 2018. However, the MoNR is still processing the application for the land by the Group, and therefore causing the delay in the construction of the New Production Facilities. Accordingly, the Group has not completed the phase one construction of the New Production Facilities nor has commenced the phase two construction of the New Production Facilities as scheduled. It is uncertain as to when the approval from MoNR is obtained. The Group has been following up closely for the status of the application for the grant of the land. Upon the grant of the land is obtained, the Group will proceed to complete the relevant procedures in obtaining the land use right and apply the unutilised net proceeds from the Placing for the New Production Facilities as its originally intended use.

The above supplemental information does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report shall remain unchanged.

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

Hong Kong, 28 August 2018

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. LIN Triomphe Zheng, Mr. SHAO Wanlei and Mr. WANG Yuzhao.