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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)

PROPOSED DEBT RESTRUCTURING AND REVISED OPEN OFFER

Financial Adviser to the Company



References are made to the announcements of the Company dated 30 November 2020 and 8 January 2021 (the “**Announcements**”) in relation to, among other things, the proposed Open Offer and the Creditors Schemes. Capitalised terms used herein shall have the same meaning as those defined in the Announcements unless the context otherwise requires.

PROPOSED DEBT RESTRUCTURING

As disclosed in the Announcements, the Board, having considered the latest financial position of the Group, resolved to implement a debt restructuring plan and implement the Open Offer to fund the implementation of the Creditors Schemes. It is envisaged that upon the Creditors Schemes having become effective, the Company will i) make a cash payment of approximately HK\$15.2 million (the “**Schemes Cash**”) to the Creditors with claims admitted by the Scheme Administrators on a pro rata basis under the Creditors Schemes; and ii) issue 36,774,194 new Shares under general mandate granted by the Shareholders to the Directors at the annual general meeting (the “**AGM**”) of the Company (the “**General Mandate**”) at an issue price of HK\$0.155 (being the average closing price of the Shares during the last 30 trading days up to and including the Last Trading Day (as defined below)) (the “**Schemes Shares**”) for the benefit of the Creditors. The Schemes Shares will be issued by the Company to the Creditors with claims admitted by the Scheme Administrators on a pro rata basis under the Creditors Schemes. It is expected that the Schemes Cash will be funded by the proceeds from the Open Offer.

ISSUANCE OF SCHEMES SHARES UNDER GENERAL MANDATE

The 36,774,194 Schemes Shares represents approximately 3.77% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.05% of the issued share capital of the Company as enlarged by the issuance of the Schemes Shares and Offer Shares (assuming all Offer Shares are subscribed by the Qualifying Shareholders). The Schemes Shares will be allotted and issued by the Company pursuant

to the General Mandate. The General Mandate entitles the Directors to allot, issue, and otherwise deal with additional Shares not exceeding 20% of the total issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 194,880,000 new Shares. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate. Accordingly, the General Mandate is sufficient for the issuance of the Schemes Shares and therefore the issuance of the Schemes Shares will not be subject to the approval of the Shareholders.

The issue price of the Schemes Shares

The issue price is HK\$0.155 per Schemes Share. The issue price represents:

- (i) a discount of approximately 4.32% to the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on 18 May 2021, being the last trading day for the Shares immediately prior to the publication of this announcement (the “**Last Trading Day**”); and
- (ii) a premium of approximately 3.33% over the average closing price of approximately HK\$0.150 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day.

The issue price of the Schemes Shares was arrived at with reference to the closing price of the last thirty (30) consecutive trading days up to and including the Last Trading Day and trading volume of the Shares. The Directors consider that the terms and conditions for the issuance of the Schemes Shares (including the issue price) are fair and reasonable and are in the interests of the Company, the Shareholders and the Creditors as a whole.

Based on the estimated expenses for the issuance of the Schemes Shares, the net issue price is approximately HK\$0.151 per Schemes share.

Conditions precedent to the issuance of Schemes Shares

The Schemes Shares shall only be issued and allotted upon the Creditors Schemes become effective. The Creditors Schemes shall become effective subject to the fulfilment of the following conditions precedent, *inter alia*:

- (i) the approval for the Creditors Schemes having been obtained from the requisite majority in number representing at least 75% in value of the claims of Creditors who, either in person or by proxy, attend and vote at the scheme meetings to be convened with the leave of the relevant courts;
- (ii) the Creditors Schemes being sanctioned by the High Court and the Grand Court;

- (iii) the passing of the necessary resolution(s) by the independent Shareholders (other than those Shareholders who are required to abstain from voting on all or any of the resolutions under the Listing Rules) by way of poll at the EGM to be convened and held to approve the Proposed Restructuring, as required; and
- (iv) the relevant court orders sanctioning the Creditors Schemes being filed or registered (as the case may be) with the relevant Registrar of Companies in Hong Kong and the Cayman Islands, respectively.

None of the conditions of the Creditors Schemes as set out above can be waived. As at the date of this announcement, none of the above conditions have been fulfilled.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Schemes Shares. The Schemes Shares will rank *pari passu* in all respects with the Shares then in issue as at the date of the issue.

REVISED OPEN OFFER

On 17 May 2021, the Board resolved to adjust the terms of the Open Offer which will now be implemented on the basis of four (4) Offer Shares for every five (5) Shares (instead of one (1) Offer Shares for every two (2) Shares) (the “**Revised Open Offer**”) held on the Record Date by the Qualifying Shareholders at the Offer Price of HK\$0.070 per Offer Share.

Issue Statistics

Basis of the Revised Open Offer:	Four (4) Offer Shares for every five (5) existing Shares held on the Record Date
Number of Shares in issue as at the date of this announcement:	974,400,000 Shares
Offer Price:	HK\$0.070 per Offer Share
Number of Offer Shares:	779,520,000 Offer Shares
Funds to be raised before expenses:	HK\$54.6 million
Enlarged issued share capital of the Company upon completion of the Revised Open Offer:	1,753,920,000 Shares

Assuming there is no change to the issued share capital of the Company from the date of this announcement up to the Record Date, the 779,520,000 Offer Shares represent (a) 80.0% of the Company’s issued share capital as at the date of this announcement; (b)

approximately 44.4% of the Company's issued share capital as enlarged by the issuance of the Offer Shares; and (c) approximately 43.5% of the Company's issued share capital as enlarged by the issuance of the Offer Shares and the Schemes Shares.

The Revised Open Offer will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Offer Shares and the level of subscription of the excess Offer Shares. The Qualifying Shareholders are entitled to apply for any Offer Shares in excess of their own assured allotments. In the event that the Revised Open Offer is not fully subscribed, any Offer Shares not taken up by the Qualifying Shareholders will not be issued by the Company and the size of the Revised Open Offer will be reduced accordingly.

The gross proceeds of the Revised Open Offer (before expenses) are approximately HK\$54.6 million and net proceeds of the Revised Open Offer (after expenses) are estimated to be approximately HK\$54.4 million. It is expected that the proceeds from the Revised Open Offer in the sum of approximately HK\$20.0 million will be paid for the implementation of the Creditors Schemes and its associated costs, approximately HK\$33.5 million will be used for repayment of the bank borrowings of the Group and the balance of approximately HK\$0.9 million shall be retained as the general working capital of the Company after the completion of the Revised Open Offer.

The Irrevocable Undertakings

To facilitate the implementation of the Proposed Restructuring, on 17 May 2021, the Controlling Shareholder Concert Group, the Substantial Shareholder and Mr. Chai, an executive Director, each provided, an irrevocable undertaking to the Company (the "**Irrevocable Undertaking(s)**").

The Controlling Shareholder Concert Group has irrevocably undertaken to the Company that it will accept or procure the acceptance of the Offer Shares to be provisionally allotted to it under the Open Offer of 241,027,040 Offer Shares (being all of the assured entitlement of the Substantial Shareholder under the Revised Open Offer based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the date of this announcement up to and including the Record Date) and will ensure that the 301,283,800 Shares will remain legally and beneficially owned by them at the close of business on the Record Date.

The Substantial Shareholder has irrevocably undertaken to the Company that he will accept or procure the acceptance of the Offer Shares to be provisionally allotted to him under the Revised Open Offer of 177,036,000 Offer Shares (being all of the assured entitlement of the Substantial Shareholder under the Revised Open Offer based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the date of this announcement up to and including the Record Date) and will ensure that the 221,295,000 Shares will remain legally and beneficially owned by him at the close of business on the Record Date.

Pursuant to the Irrevocable Undertaking, Mr. Chai has irrevocably undertaken to the Company, among other things:

- (i) to accept or procure the acceptance of the Offer Shares to be provisionally allotted to him and his spouse under the Revised Open Offer of 58,800,000 Offer Shares (being all the assured entitlement of Mr. Chai and his spouse under the Revised Open Offer based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the date of this announcement up to and including the Record Date);
- (ii) to ensure that the 73,500,000 Shares will remain legally and beneficially owned by Mr. Chai and his spouse at the close of business on the Record Date; and
- (iii) to apply, by way of excess application, up to a maximum of 302,656,960 additional Offer Shares,

provided that the proposed implementation of the Creditors Schemes and the Revised Open Offer being approved by the Independent Shareholders at the EGM.

Save as disclosed above and as at the date of this announcement, the Company has not received any information or irrevocable undertaking from any other substantial Shareholder (as defined under the Listing Rules) of the Company of any intention in relation to the Offer Shares to be provisionally allotted to that substantial Shareholder under the Revised Open Offer.

The Offer Price

The Offer Price has been adjusted to HK\$0.070 per Offer Share, payable in full upon acceptance of the relevant assured allotment of the Offer Shares and, where applicable, application for excess Offer Shares under the Revised Open Offer. The net Offer Price per Offer Share (after deducting the relevant expenses) will be approximately HK\$0.07.

The Offer Price of HK\$0.070 per Offer Share represents:

- (a) a discount of approximately 56.79% to the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 42.20% to the theoretical ex-entitlement price of approximately HK\$0.121 per Share, based on the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 53.33% to the average closing price of approximately HK\$0.150 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

- (d) a discount of approximately 53.02% to the average closing price of approximately HK\$0.149 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (e) a discount of approximately 65.85% to the audited net asset value per Share of approximately HK\$0.205 per Share based on the audited accounts of the Group for the year ended 31 December 2020.

The Offer price was determined at with reference to, (i) the downward trend of the market price and low trading volume of the Shares; (ii) the prevailing unstable market conditions, the working capital requirements of the Company and the financial performance and financial position of the Group as at 31 December 2020; (iii) the uncertainty brought about by the COVID-19 pandemic on the Group's business operations; and (iv) the funding needs for the implementation of the Creditors Schemes. Given that (i) the Group intends to reduce its debt level through the implementation of the Creditors Schemes and provide additional working capital for its business operations; (ii) upon the completion of the Creditors Schemes, all Creditors (for the avoidance of doubt, shall not include the Substantial Shareholder and Mr. Chai in respect of the Cash Advance and parties with claims relating to Restructuring Costs) claims against the Company, and liabilities of the Company will be discharged and released in full; (iii) the Offer Price was determined by the Directors with reference to the prevailing market price of the Shares prior to and including the Last Trading Day; and (iv) the Qualifying Shareholders will be entitled to subscribe for the Offer Shares at the Offer Price in proportion to their existing shareholding in the Company, the Directors consider that the Offer Price to be fair and reasonable and the Revised Open Offer to be in the best interests of the Company and the Shareholders as a whole.

CONDITIONS OF THE REVISED OPEN OFFER

The Revised Open Offer is conditional upon the following conditions being fulfilled:

- (a) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the Proposed Restructuring and the transactions contemplated thereunder, including but not limited to the Creditors Schemes and the Revised Open Offer (more than 50% of the Independent Shareholders at the EGM by way of poll) by no later than the Prospectus Posting Date;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorized in writing) as having been approved by resolution of the Directors (and with all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time) not later than the Prospectus Posting Date;

- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Revised Open Offer on or before the Prospectus Posting Date;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Offer Shares by no later than the Prospectus Posting Date, and such listing and permission not being subsequently withdrawn or revoked;
- (e) all requirements and conditions imposed by the Stock Exchange or the SFC or under the Listing Rules otherwise in connection with the Revised Open Offer and the transactions contemplated thereunder (if any) having been fulfilled or complied with;
- (f) compliance with and performance of the Irrevocable Undertakings by the Controlling Shareholder Concert Group, the Substantial Shareholder and Mr. Chai; and
- (g) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

None of the conditions of the Revised Open Offer as set out above are waivable. As at the date of this announcement, none of the above conditions have been fulfilled.

STATUS OF THE OFFER SHARES

The Offer Shares (when fully paid and allotted) will rank *pari passu* in all respects among themselves and the Shares in issue as at the date of allotment and issuance of the Offer Shares, including all rights to all future dividends or distributions, which may be declared, made or paid by the Company on or after the date of allotment and issuance of the Offer Shares, as well as rights to voting and interest in capital.

CHANGES IN SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company as at the date of this announcement and immediately upon completion of the Revised Open Offer and the Creditors Schemes assuming there is no change in the shareholding structure of the Company from the date of this announcement to immediately after completion of the Revised Open Offer and the Creditors Schemes (for illustrative purpose only):

	As at the date of this announcement		Immediately after the completion of the Open Offer (assuming all Offer Shares are subscribed by the Qualifying Shareholders)		Immediately after the completion of the Open Offer (assuming no Offer Share is subscribed by the Qualifying Shareholders save for those subscribed under the Irrevocable Undertakings)		Immediately after the completion of the Open Offer (assuming all Offer Share is subscribed by the Qualifying Shareholders) and the issuance of Schemes Shares under the Creditors Schemes		Immediately after the completion of the Open Offer (assuming no Offer Share is subscribed by the Qualifying Shareholders save for those subscribed under the Irrevocable Undertakings) and the issuance of Schemes Shares under the Creditors Schemes	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Controlling Shareholder										
Concert Group (Note 1)	301,283,800	30.92	542,310,840	30.92	542,310,840	30.92	542,310,840	30.29	542,310,840	30.29
The Substantial Shareholder	221,295,000	22.71	398,331,000	22.71	398,331,000	22.71	398,331,000	22.24	398,331,000	22.24
Mr. Chai and his spouse (Note 2)	73,500,000	7.54	132,300,000	7.54	434,956,960	24.80	132,300,000	7.39	434,956,960	24.29
<i>Sub-total</i>	596,078,800	61.17	1,072,941,840	61.17	1,375,598,800	78.43	1,072,941,840	59.92	1,375,598,800	76.82
Public Shareholders										
Schemes Creditors	—	0.00	—	0.00	—	0.00	36,774,194	2.05	36,774,194	2.05
Other public shareholders (Note 3)	378,321,200	38.83	680,978,160	38.83	378,321,200	21.57	680,978,160	38.03	378,321,200	21.13
<i>Public Sub-total</i>	378,321,200	38.83	680,978,160	38.83	378,321,200	21.57	717,752,354	40.08	415,095,394	23.18
Total	<u>974,400,000</u>	<u>100.00</u>	<u>1,753,920,000</u>	<u>100.00</u>	<u>1,753,920,000</u>	<u>100.00</u>	<u>1,790,694,194</u>	<u>100.00</u>	<u>1,790,694,194</u>	<u>100.00</u>

Notes:

- Pursuant to the Concert Party Agreement entered into among Mr. KE Mingcai, Mr. CAI Jinxu, Mr. WANG Songmao, Mr. LIN Qingxiong, Mr. WU Shican and Ms. WU Haiyan, they have agreed on certain arrangements pertaining to their shareholdings in the Company.
- As at the date of this announcement, Mr. Chai is the legal owner of 57,200,000 Shares and his spouse is the legal owner of 16,300,000 Shares. Mr. Chai is deemed to be interested in all the shares in which his spouse is interested by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
- In the event that the minimum public float requirement of 25% as set out under the Listing Rules is not satisfied immediately after the completion of the Revised Open offer, Mr. Chai undertakes that he will take appropriate steps to ensure that the minimum public float as required under the Listing Rules is restored. Further announcement(s) will be made in relation to the arrangements, as and when appropriate.

REASONS FOR THE REVISED OPEN OFFER

In light of the uncertainties casted by the COVID-19 pandemic, the Sino-US trade war and economic downturn in the PRC, the Group's business has been adversely affected since the beginning of 2020, the Group's PRC main operating subsidiaries have also been making a loss in the recent years and the Company's subsidiaries were unable to distribute dividends to the Company.

As mentioned in the Group's annual results for the year ended 31 December 2020 published on 17 May 2021, the total borrowings of the Group was approximately RMB57.9 million as at 31 December 2020, which consisted of bonds in Hong Kong and bank loans in PRC, majority of which are immediately due and repayable.

Considering that the Group's cash and cash equivalents have substantially decreased from approximately HK\$51.0 million to approximately HK\$5.8 million as at 31 December 2020, the imminent need for capital for the already due and outstanding borrowings, and the prevailing financial market conditions and economic outlook, the Board considers that it would be necessary and in the interest of the Company to revise the terms of the Open Offer in order to raise sufficient capital, once and for all, to fund the implementation of the revised Creditors Schemes, reduce debt level of the Group and raise additional working capital to sustain the Group's continuing operations during these difficult times.

The Creditors Schemes will facilitate the Group in discharging all liabilities of and claims against the Company and alleviating its cash flow burden. The remaining proceeds will also provide the Group an opportunity to reduce overall debt level of the Group, enhance its business operations and the flexibility to make investments through acquisitions or new business ventures when suitable opportunities arise in the future. It is envisaged that the Proposed Restructuring will be completed by the third quarter of 2021.

Assuming 779,520,000 Offer Shares will be issued, the estimated gross proceeds of the Revised Open Offer will be approximately HK\$54.6 million (pursuant to the Irrevocable Undertakings). The estimated expenses in relation to the Revised Open Offer will amount to approximately HK\$0.2 million and the estimated net proceeds of the Revised Open Offer will be approximately HK\$54.4 million pursuant to the Irrevocable Undertakings. The net subscription price per Offer Share is expected to be approximately HK\$0.070.

As the net proceeds are expected to be approximately HK\$54.4 million, (i) approximately HK\$20.0 million will be applied for the purpose of implementing the Creditors Schemes and its associated costs; (ii) approximately HK\$33.5 million will be used for repayment of the bank borrowings of the Group and (iii) the balance of approximately HK\$0.9 million will be applied as general working capital for the Group's business.

FUNDS RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the past twelve months before the date of this announcement.

GENERAL

Save and except for the aforesaid, all other terms of the Open Offer remain unchanged. The circular containing, among other things, further details of the Creditors Schemes and the Revised Open Offer and a notice convening the EGM, is expected to be despatched to Shareholders on or before 31 May 2021. Further announcement will be made by the Company in this regard as and when appropriate.

Shareholders and potential investors of the Company should note that the Creditors Schemes and the Revised Open Offer are subject to various conditions which may or may not be fulfilled. Therefore, there is no assurance that the Proposed Restructuring (including the Creditors Schemes and the Revised Open Offer) will proceed. In particular, the Open Offer is subject to the fulfilment of the conditions set out under the paragraph headed “Conditions of the Revised Open Offer” in this announcement. Any Shareholders or other persons contemplating purchasing or selling Shares from the date of this announcement up to the date when the conditions of the Creditors Schemes and the Revised Open Offer are fulfilled will bear the risk that the Creditors Schemes and the Revised Open Offer do not become unconditional and may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If in any doubt, Shareholders and potential investors should consider obtaining professional advice.

By order of the Board of
Da Sen Holdings Group Limited
CHAI Kaw Sing
Executive Director

Hong Kong, 18 May 2021

As at the date of this announcement, the executive Directors are Mr. CHAI Kaw Sing, Mr. SUN Yongtao, Mr. WONG Ben, Mr. WONG Wai Keung Frederick and Mr. ZHANG Ayang; and the independent non-executive Directors are Mr. KWOK Wai Ching Harrison, Ms. LO Yuk Yee and Mr. TSO Siu Lun Alan.