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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)

CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
FOR DEBT CAPITALISATION

Financial adviser to the Company

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

On 7 September 2023 (after trading hours), the Company (as issuer) and Mr. Wong (as subscriber) entered into the Settlement Deed, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Wong has conditionally agreed to subscribe for, a total of 500,000,000 Capitalisation Shares at the price of HK\$0.04 per Share for the settlement of the Indebted Sum in full. The subscription amount payable by Mr. Wong under the Settlement Deed shall be satisfied by capitalising all of the Indebted Sum in the amount of HK\$20.0 million owed by the Company to Mr. Wong.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date, the Capitalisation Shares represent (i) approximately 29.56% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 22.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares.

LISTING RULES IMPLICATIONS

The Capitalisation Shares will be allotted and issued by the Company under Specific Mandate. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

As at the date of this announcement, Mr. Wong is interested in 864,686,442 Shares, representing approximately 51.12% of the issued share capital of the Company. Therefore, Mr. Wong is the controlling Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Debt Capitalisation constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate). Mr. Wong and his associates shall abstain from voting in respect of the resolution approving the Settlement Deed and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Settlement Deed and the transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders regarding, among other things, the terms of the Settlement Deed and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Settlement Deed; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Settlement Deed and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Settlement Deed and the transactions contemplated thereunder; (iv) a notice to convene the EGM; and (v) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 28 September 2023 in compliance with the Listing Rules.

SETTLEMENT DEED

On 7 September 2023 (after trading hours), the Company and Mr. Wong entered into the Settlement Deed, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Wong has conditionally agreed to subscribe for, a total of 500,000,000 Capitalisation Shares at the price of HK\$0.04 per Share for the settlement of the Indebted Sum in full.

Details of the Settlement Deed are summarised as follow:

Date

7 September 2023 (after trading hours)

Parties

- (1) The Company (as issuer); and
- (2) Mr. Wong (as subscriber)

Capitalisation Shares

The Company has conditionally agreed to allot and issue, and Mr. Wong has conditionally agreed to subscribe for, a total of 500,000,000 Capitalisation Shares at the price of HK\$0.04 per Share.

The Company is in debt to Mr. Wong in the amount of the Indebted Sum. The subscription price payable by Mr. Wong under the Settlement Deed shall be satisfied by capitalising the Indebted Sum in the amount of HK\$20.0 million in full.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date, the Capitalisation Shares represent (i) approximately 29.56% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 22.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares.

The aggregate nominal value of the Capitalisation Shares (with a par value of HK\$0.01 each) is HK\$5,000,000.

Issue Price

The Issue Price of HK\$0.04 per Capitalisation Share represents:

- (i) a discount of approximately 35.48% to the closing price per Share of HK\$0.062 as quoted on the Stock Exchange on 7 September 2023, being the date of the Settlement Deed;
- (ii) a discount of approximately 40.48% to the average closing price per Share of HK\$0.0672 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Settlement Deed;
- (iii) a discount of approximately 43.50% to the average closing price per Share of HK\$0.0708 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Settlement Deed; and
- (iv) a premium of approximately 131.21% over the consolidated net asset value attributable to the Shareholders of approximately HK\$0.0173 per Share as at 31 March 2023, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB27,041,000 (equivalent to approximately HK\$29,204,280 based on the exchange rate of RMB1: HK\$1.08) as at 31 March 2023 by 1,691,359,093 Shares in issue as at the date of this announcement.

The Issue Price was arrived at on an arm's length basis between the Company and Mr. Wong after taking into account the recent trading performance of the Shares, the recent market conditions, the current financial position and the business prospects of the Group. The Directors (other than the independent non-executive Directors, who shall provide their views after considering the advice from the Independent Financial Adviser) consider that the Issue Price and the terms of the Settlement Deed are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The amount of the total Issue Price shall be satisfied by way of capitalising the Indebted Sum owed to Mr. Wong by the Company. In addition, the Group will use its internal resources to settle the professional fees and all related expenses which may be borne by the Company in connection with the relevant debt capitalisation.

Conditions

Completion is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange having granted or agreeing to grant the approval for the listing of and permission to deal in the Capitalisation Shares on the Stock Exchange;
- (ii) the representations and warranties given by the parties are true and accurate in all material respects from the date of the Settlement Deed to the Completion Date;
- (iii) Mr. Wong having obtained all the relevant approvals for the transactions; and
- (iv) the Company having obtained all the relevant approvals for the transactions including the approval of the Independent Shareholders for the entering into of the Settlement Deed and the transactions contemplated thereunder in the EGM.

None of the above conditions can be waived. If the above conditions are not fulfilled by 11:59 p.m. on 31 October 2023 or such other date as the parties to the Settlement Deed may agree, the Settlement Deed will terminate and all rights and obligations under the Settlement Deed will cease save for any rights and obligations accrued before the termination.

Completion

Completion shall take place on the Completion Date provided that the conditions precedent having been fulfilled on the tenth (10) business day preceding the Completion Date (or such later date as may be agreed between the Company and Mr. Wong in writing).

Ranking of the Capitalisation Shares

The Capitalisation Shares, when allotted and issued, shall rank pari passu in all respects with the existing Shares in issue at the date of allotment and issue of the Capitalisation Shares.

EFFECT OF THE CAPITALISATION SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion and the allotment and issue of the Capitalisation Shares as contemplated under the Debt Capitalisation (assuming there are no other changes to the issued share capital of the Company between the date of this announcement and the Completion Date save for the allotment and issue of the Capitalisation Shares and the Subscriber will not hold any other Shares save for the Capitalisation Shares on the Completion Date):

	As at the date of this announcement		Immediately after the allotment and issue of the Capitalisation Shares	
	<i>Number of Shares</i>	<i>Approximate (%)</i>	<i>Number of Shares</i>	<i>Approximate (%)</i>
Mr. Wong Tseng Hon	864,686,442	51.12	1,364,686,442	62.28
Mr. Chai Kaw Sing and his spouse (<i>Note 1</i>)	125,552,973	7.42	125,552,973	5.73
Public Shareholders	701,119,678	41.45	701,119,678	31.99
Total	1,691,359,093	100.00	2,191,359,093	100.00

Notes:

- As at the date of this announcement, Mr. Chai Kaw Sing, an executive Director, was the legal owner of 94,123,045 Shares and Ms. Chang Yu Chen, the spouse of Mr. Chai Kaw Sing, was the legal owner of 31,429,928 Shares. Mr. Chai Kaw Sing is deemed to be interested in all the Shares in which his spouse is interested in by virtue of the SFO.

EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

On 24 March 2023, the Company issued convertible bonds with an aggregate principal amount of HK\$7.8 million to no less than six placees. The Company received net proceeds from the placing of approximately HK\$7.6 million, which has been fully utilised as planned and applied as to (i) approximately HK\$5.8 million for the capital injection to a 51% owned subsidiary; and (ii) the remaining HK\$1.8 million utilised for general working capital of the Group. For details, please refer to the announcements of the Company dated 3 March 2023, 20 March 2023 and 24 March 2023.

On 21 April 2023, the Company allotted and issued 73,104,116 capitalisation Shares at the issue price of HK\$0.06 each to a creditor of the Company for capitalisation of debt owned by the Group to the creditor in the amount of approximately HK\$4,386,247. For details, please refer to the announcement of the Company dated 20 January 2023.

Saved as disclosed above, the Company had not conducted any equity fundraising activities in the past twelve months immediately preceding the date of this announcement.

INFORMATION ON THE COMPANY AND THE CREDITOR

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales of plywood products and leasing activities. The Group's plywood products consist of furniture board, ecological plywood, and hardwood multi-layered board. Customers of the Group are mainly end users including furniture manufacturers, equipment manufacturers, decoration or renovation companies and packing material producers.

As at the date of this announcement, Mr. Wong is interested in 864,686,442 Shares, representing approximately 51.12% of the issued share capital of the Company. Therefore, Mr. Wong is the controlling Shareholder and is a connected person of the Company under Chapter 14A of the Listing Rules.

REASONS FOR THE DEBT CAPITALISATION

As disclosed in the annual report of the Company for fifteen months ended 31 March 2023, the Group incurred net loss of RMB51,770,000 and recorded net operating cash outflow of RMB13,194,000 for the fifteen months ended 31 March 2023. As at 31 March 2023, the Group recorded net current liabilities of RMB43,351,000, among which the Group's current borrowings amounted to RMB37,736,000, which comprised bank borrowing of RMB8,500,000 and other loans of RMB29,236,000 from independent third parties in the PRC and Hong Kong. On the other hand, the Group's cash and cash equivalents amounted to RMB6,939,000 only as at 31 March 2023, which is substantially less than the outstanding amount of borrowings. In this regard, the Directors have undertaken substantial work for improving the Group's liquidity and financial position, including the adoption of the scheme of arrangement, an open offer, debt capitalisation and issuance of convertible bonds. The Company is in progress of exploring the opportunity to dispose of the Group's certain assets, arranging financial support from major shareholders and exploring new business initiatives for further improvement of the Group's liquidity and financial position.

Capitalisation of the Indebted Sum enables the Group to settle its outstanding indebtedness without utilising existing financial resources of the Company and avoid cash outflows. The Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to preserve as much liquidity as possible in order to strengthen the Group's financial and liquidity position for its business development.

Although the allotment and issue of the Capitalisation Shares will have a dilution effect to the existing Independent Shareholders, having considered (i) the capitalisation of the Indebted Sum can alleviate the repayment and settlement pressure of the Group; and (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Group, the Directors are of the view that the dilution effect arising from the allotment and issue of the Capitalisation Shares is justifiable in this regard.

In view of the above, the Directors consider that the terms of the Settlement Deed are fair and reasonable based on the current market conditions and are on normal commercial terms. Accordingly, the Directors consider the Debt Capitalisation is in the interest of the Company and the Shareholders as a whole.

SPECIFIC MANDATE

The Capitalisation Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wong is interested in 864,686,442 Shares, representing approximately 51.12% of the issued share capital of the Company. Therefore, Mr. Wong is the controlling Shareholder and a connected person of the Company. Accordingly, the Debt Capitalisation constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Wong and his associates shall abstain from voting in respect of the resolution approving the Settlement Deed and the transactions contemplated thereunder at the EGM.

Mr. Wong Ben, being an executive Director and the son of Mr. Wong, has abstained from voting on the Board resolution approving the Settlement Deed and the transactions contemplated thereunder. Save as disclosed above, (i) no other Director has a material interest in the Settlement Deed and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions in relation to the aforesaid matters; (ii) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution approving the aforesaid matters.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate).

An Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders regarding, among other things, the terms of the Settlement Deed and transactions contemplated thereunder. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Settlement Deed; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Settlement Deed and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Settlement Deed and the transactions contemplated thereunder; (iv) a notice to convene the EGM; and (v) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 28 September 2023 in compliance with the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Capitalisation Shares”	an aggregate of 500,000,000 new Shares to be allotted and issued by the Company to Mr. Wong pursuant to the terms and conditions of the Settlement Deed
“Company”	Da Sen Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1580)
“Completion”	completion of the Debt Capitalisation pursuant to the terms and conditions of the Settlement Deed
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Debt Capitalisation”	the capitalisation of the debt owed by the Group to Mr. Wong
“Director(s)”	member(s) of the Board of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Mr. CHAN Shiu Yuen Sammy, Mr. KWOK Yiu Tong and Ms. LO Yuk Yee, which has been established to make recommendations to the Independent Shareholders in respect of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain under the Listing Rules from voting at the EGM for the resolution approving the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Indebted Sum”	the amount of HK\$20.0 million owned by the Company to Mr. Wong
“Issue Price”	HK\$0.04 per Capitalisation Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	The People’s Republic of China
“Mr. Wong”	Mr. Wong Tseng Hon, who is interested in 864,686,442 Shares as at the date of this announcement, being the controlling Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules
“Settlement Deed”	the settlement deed dated 7 September 2023 entered into between the Company as the issuer and Mr. Wong as the subscriber in relation to the subscription of 500,000,000 Capitalisation Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Capitalisation Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Da Sen Holdings Group Limited
SUN Yongtao
Chairman and non-executive Director

Hong Kong, 7 September 2023

As at the date of this announcement, the executive Directors are Mr. CHAI Kaw Sing, Mr. WONG Ben and Mr. ZHANG Ayang (duties suspended); the non-executive Director is Mr. SUN Yongtao; and the independent non-executive Directors are Mr. CHAN Shiu Yuen Sammy, Mr. KWOK Yiu Tong and Ms. LO Yuk Yee.