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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO THE
DISPOSAL OF A TARGET COMPANY**

Financial adviser to the Company

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

On 21 December 2023 (after trading hours), the Vendor, being an indirect wholly-owned subsidiary of the Company, the Purchaser, the Target Company and Meisen (Shandong) entered into the Disposal Agreement, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares from the Vendor at the Consideration of RMB10,000 and assume the Debts through the provision of a loan to the Target Company in the amount of RMB21.0 million for the repayment of the Debts. The principal asset of the Target Company is the Property.

As one or more of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

On 21 December 2023 (after trading hours), the Vendor, being an indirect wholly-owned subsidiary of the Company, the Purchaser, the Target Company and Meisen (Shandong) entered into the Disposal Agreement, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares from the Vendor at the Consideration of RMB10,000 and assume the Debts up to the maximum amount of RMB21.0 million. Set out below are the principal terms of the Disposal Agreement:

Date

21 December 2023 (after trading hours)

Parties

- (1) The Vendor;
- (2) The Purchaser;
- (3) Meisen (Shandong); and
- (4) The Target Company

As at the date of this announcement, the Vendor is an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Assets to be disposed

Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to (i) purchase from the Vendor the Sale Shares, representing the entire issued share capital of the Target Company; and (ii) assume the Debts through the provision of a loan to the Target Company in the amount of RMB21.0 million for the repayment of the Debts.

As at the date of this announcement, the principal asset of the Target Company is the Property, which comprised the Land and the buildings constructed thereon.

Pursuant to the Disposal Agreement, the Purchaser shall provide a loan in the amount of RMB21.0 million to the Target Company on the day after the signing of the Disposal Agreement for the settlement of the following Debts:

- (i) the borrowings owed by the Target Company to a Zhejiang asset management company (the "**Zhejiang Company**") in the principal amount of approximately RMB8.9 million, the interests incurred thereon and the relevant litigation fees incurred when the Zhejiang Company applied to the Chengwu Court for the repayment, which in aggregate amounted to approximately RMB11.6 million; and
- (ii) the borrowings owed by Meisen (Shandong) to the Zhejiang Company in the principal amount of approximately RMB7.5 million, the interests incurred thereon and the relevant litigation fees incurred when the Zhejiang Company applied to the Chengwu Court for the repayment, which in aggregate amounted to approximately RMB9.7 million.

If the final amount of the Debts exceeds RMB21.0 million, Meisen (Shandong) will be responsible for the settlement of the remaining amounts of the above Debts. If the final amount of the Debts is less than RMB21.0 million, the remaining amount will be transferred to Meisen (Shandong) and retained by the Group as general working capital.

Save for the above, the following debts of the Target Company shall be satisfied by Meisen (Shandong):

- (i) the amount to be paid by the Target Company to Heze Zhongzhonghe for the early termination of the lease agreement entered into between the Target Company and Heze Zhongzhonghe in respect of the leasing of the Property, which comprised the refund of prepaid rental of approximately RMB350,000 and early termination liquidated damage of approximately RMB145,000; and
- (ii) the interests incurred on the borrowings owed by the Target Company to Heze Zhongzhonghe in the amount of approximately RMB1.9 million and the service fee of approximately RMB0.2 million.

Save for the debts as detailed in the above, if the Target Company has any other debts upon Completion, the Purchaser shall have the rights to seek compensation from the Vendor and Meisen (Shandong).

Within three business days following the signing of the Disposal Agreement, the Target Company shall assign all its outstanding receivables in the amount of approximately RMB22.1 million to Meisen (Shandong) and waive the entire amount due from Meisen (Shandong) of approximately RMB22.9 million.

Consideration

The Consideration of RMB10,000 and the loan amount of RMB21.0 million to be provided by the Purchaser for the settlement of the Debts are determined by the Vendor and the Purchaser after arm's length negotiation after taking into account (i) the guidance from the Chengwu Court on the reduced base auction price of the Property of approximately RMB22 million on the second auction of the Property arranged by the Chengwu Court on the judicial auction platform of the Chengwu Court on Taobao; (ii) the uncertainty in the time required and the final auction price of the Property; and (iii) the recent property and financial market situation.

The Purchaser will settle the Consideration of RMB10,000 in cash within three business days after the date of the Disposal Agreement.

Conditions Precedent

Completion of the Disposal is subject to the fulfilment and/or waiver (as the case may be) of the following conditions:

- (a) the Target Company having fully settled the Debts;
- (b) the Target Company having terminated all the existing lease agreements; and

- (c) the Target Company having waived in writing to Meisen (Shandong) the entire amount of indebtedness owed by Meisen (Shandong) to the Target Company in the aggregate amount of approximately RMB22.9 million.

Following the fulfilment of the conditions above, the Purchaser and the Vendor shall make the relevant industrial and commercial change procedures for the Disposal and the Vendor shall hand over the seal and certificates of the Target Company to the Purchaser on the next day after the industrial and commercial change.

Completion

Completion shall take place immediately after all conditions precedents have been fulfilled and/or waived (as the case may be).

Following Completion, the Company and the Vendor shall not hold any equity interest in the Target Company and therefore the Target Company shall cease to be a subsidiary of the Company and accordingly the financial results of the Target Company shall cease to be consolidated into the financial statements of the Group.

Information of the Target Company

The Target Company is a wholly-foreign owned enterprise established under the laws of the PRC on 1 November 2012 with registered capital of USD12,000,000 as at the date of this announcement. Save and except for holding the Property and generating rental income from the leasing of the Property, the Target Company does not carry on any other business.

Set out below is a summary of unaudited financial information of the Target Company for the years ended 31 December 2021 and 2022:

	For the year ended 31 December 2021 (unaudited) RMB	For the year ended 31 December 2022 (unaudited) RMB
Revenue	1,334,862	1,330,275
Loss before tax	4,413,336	2,462,602
Loss for the year	4,414,979	2,462,602

As at 31 December 2022, the unaudited net asset value of the Target Company amounted to approximately RMB30,682,995. As of the date of this announcement, the Target Company legally and beneficially owned the Property. The Property comprised the Land and the buildings constructed thereon.

The Land is for industrial use and is located at Dasen Industrial Park, Chengwu County Development Zone, Heze, Shandong Province, the PRC. The Land has an aggregate area of approximately 35,182 square meters, and the properties on the Land include several buildings, structures and auxiliary facilities, with a total gross floor area of 23,982.4 square meters. The Target Company has entered into lease agreements with Heze Zhongzhonghe in respect of the leasing of the Property. For the fifteen months ended 31 March 2023, the Property generated rental income of approximately RMB1.7 million, accounting for approximately 2.6% of total revenue.

With reference to the Interim Results, the Property has been pledged to obtain loan facilities for the Target Company as well as in favour of Meisen (Shandong) for Meisen (Shandong) to obtain loan facilities in the aggregate principal amount of approximately RMB16.4 million. Subsequently, all the relevant loans related to the Target Company and Meisen (Shandong) had been sold to the Zhejiang Company and the Zhejiang Company had applied to the Chengwu Court for the enforcement of the pledge under the loans in the aggregate principal amount of approximately RMB16.4 million (the “**Loans**”). As the Group intended to settle the Loans by way of disposal of the Property, the Group did not repay the Loans and the Chengwu Court proceeded to enforce the pledge. Based on the valuation prepared by a valuer in the PRC that was engaged by the Chengwu Court, the Property was valued at approximately RMB35.5 million as at 1 June 2023.

On 17 October 2023, the Group received a notice from the Chengwu Court dated 16 October 2023 that judgement has been made by the Court to proceed with the auction of the Property on the judicial auction platform of the Chengwu Court on Taobao. The first auction took place on 28 November 2023 to 29 November 2023 and the Property was not sold as there were no bidder bidding the Property with a price equal to or higher than the base price set by the Chengwu Court.

Information of the Purchaser

The Purchaser, namely Shandong Fulian Commercial Company Limited, is a company established under the laws of the PRC and is principally engaged in investment holding.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficiary owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in the sale and manufacture of wood products, trading, as well as property activities.

With reference to the Interim Results, the Group recorded net current liabilities of approximately RMB38.7 million, where the Group's current borrowings amounted to approximately RMB36.8 million in total and cash and cash equivalents amounted only to approximately RMB1.3 million. Given the financial position and the Loans had been in default, it was the Group's intention to settle the Loans by way of disposal of the Property. As stated in the section headed "Information of the Target Company" above, there were no bidder bidding the Property with a price equal to or higher than the base price set by the Chengwu Court on the first auction held on 28 November 2023 to 29 November 2023. It is expected that when the second auction is arranged for the Property, the base price set by the Chengwu Court would be reduced and there could be still no bidder for the Property in the second auction. In light of the uncertainty in the time required for completing the auction and the final auction price under the recent property and financial market situation, the Directors consider the Disposal is more favorable as the Disposal allows the Group to secure the fund required to repay the Debts with more certainty in a relatively shorter timeframe.

Having considered the above, the Directors consider that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Group will cease to generate rental income from the Property. As the rental income generated from the Property only accounted for approximately 2.6% of total revenue for the fifteen months ended 31 March 2023, the Directors consider that there will be no material adverse impact on the income of the Group.

It is estimated that a loss on disposal of approximately RMB10 million (unaudited) will be recognised in the financial results of the Group for the year ending 31 March 2024 based on (i) the Consideration of RMB10,000 to be received by the Group under the Disposal; (ii) the amount of Debts to be assumed by the Purchaser of RMB21.0 million; (iii) the carrying amount of the Property of RMB31.3 million as at 31 March 2023; and (iv) the estimated professional fees to be incurred for the Disposal of approximately RMB100,000. Such calculation is only an estimate provided for illustrative purposes and the accounting treatment of the Disposal will be subject to further review by the auditors of the Company.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of 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
“Business Day(s)”	a day other than any Saturday, Sunday or public holiday in the PRC
“Chengwu Court”	People’s Court of the Chengwu Country of Shandong Province, the PRC
“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 Disposal pursuant to the terms and conditions of the Disposal Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor in relation to the Disposal
“Debts”	the debts owed by the Target Company to be repaid by the Purchaser up to RMB21.0 million under the Disposal Agreement
“Director(s)”	member(s) of the Board of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser as contemplated under the Disposal Agreement

“Disposal Agreement”	the sale and purchase agreement dated 21 December 2023 entered into between the Purchaser, the Vendor, the Target Company and Meisen (Shandong) in relation to the Disposal
“Group”	the Company and its subsidiaries
“Heze Zhongzhonghe”	荷澤中眾合市場開發有限公司 (Heze Zhongzhonghe Market Development Company Limited*), a company incorporated in the PRC and the lessee of the Property, being an Independent Third Party
“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 Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are independent of the Company and its connected persons
“Interim Results”	the interim results announcement of the Company for the six months ended 30 September 2023 which was published on 30 November 2023
“Land”	the land use right of the land located at Dasen Industrial Park, Chengwu County Development Zone, Heze, Shandong Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meisen (Shandong)”	Meisen (Shandong) Wood Limited, a wholly-foreign owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China
“Property”	the Land and the buildings constructed thereon
“Purchaser”	山東福聯商業有限公司 (Shandong Fulian Commercial Company Limited*), a company established under the laws of the PRC and is principally engaged in investment holding
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	the entire issued share capital of the Target Company
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dasen (Heze) Biomass Energy Limited, a wholly-foreign owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“USD”	United States dollars, the lawful currency of the United States of America
“Vendor”	Dasen (Hong Kong) Holdings Company Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company
“%”	per cent

* *For identification purpose only*

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

Hong Kong, 21 December 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.