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**中國升海集團有限公司**  
**China Shenghai Group Limited**

*(formerly known as China Shenghai Food Holdings Company Limited)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1676)**

**SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO DISCLOSEABLE TRANSACTION –  
ACQUISITION OF TALENT TRADER INVESTMENT  
DEVELOPMENT LIMITED**

Reference is made to the announcement of China Shenghai Group Limited (the “Company”) dated 23 March 2021 in relation to the Acquisition (the “Announcement”). Unless otherwise stated, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

The board (the “Board”) of the directors (the “Directors”) of the Company would like to provide certain additional information in relation to the Acquisition.

**Basis of the Consideration**

As disclosed in the Announcement, the consideration was arrived at after arm’s length negotiation among the parties with reference to the prevailing market value of market comparable companies engaged in similar business of the Target Group.

During the course of determining the consideration, the Company adopted the market approach known as the Price-to-Earnings (“P/E”) multiple methodology to assess the fair value of the Target Group. Under this methodology, fair value is determined by multiplying the earnings of the Target Group to a multiple called P/E multiple with regard to the risks and nature of the business. In estimating the P/E multiple, reference has been made to the historical operating results of comparable companies with similar business nature and whose ownership interests are publicly trades.

The following companies listed on the Hong Kong and China stock exchange are identified as the comparable companies. The selection criteria are: (i) principally engaged in the business in relation to retails/trading through online platform; (ii) the comparable company's information must be publicly available; and (iii) other qualitative factors such as adequate historical data, no long suspension period etc.

<b>No.</b>	<b>Company Name</b>	<b>Stock code</b>	<b>P/E ratio (Note)</b>
1.	Nanjing Pharmaceutical Co Ltd	600713 CH	11.19
2.	Convenience Retail Asia Ltd	831 HK	2.14
3.	Pou Sheng International Holdings Ltd	3813 HK	17.55
4.	Chengdu Fusen Noble-House Industrial Co Ltd	002818 CH	16.20
5.	Dazzle Fashion Co Ltd	603587 CH	16.22

As privately held companies are not readily marketable and can be converted into cash if the owner sell it compared with publicly held companies. The lack of marketability discount has been considered in determining the fair value of the Target Group. References have been made to various research studies conducted on the discount for lack of marketability in developed overseas markets it is determined that the discount for lack of marketability was 20.6%.

Futhermore, as the fair value of the Target Group determined from market approach reflects value from a minority shareholder's viewpoint, a control premium is required to consider in determining the fair value of the equity interest in the Target Group. After considering various research studies conducted on the control premium in developed overseas markets, a control premium of 24.8% has been adopted.

Certain assumptions have been made in determining the fair value of the Target Group, which includes (i) there will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation; (ii) • there will be no major changes in the current taxation law in the areas in which the Target Group carry on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with; (iii) the inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing; (iv) the Target Group will retain their management and technical personnel to maintain their ongoing operations; (v) there will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business; (vi) the Target Group will remain free from claims and litigation against the business or its customers that will have a material impact on value; (vii) the Target Group is unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements; (viii) the business is not subject to any unusual or onerous restrictions or encumbrances; and (xi) the potential bad debt of the Target Group will not materially affect their business operations.

## Information of the Target Group

As disclosed in the Announcement, the Target Group is principally engaged in the sales of household products through online retail stores. The Target Group sells its products on Wayfair.com, one of the world's largest online shops for home products. The Target Group also operates four online retail stores on the Amazon platform. Details of these online retail stores are as follows:

No.	Web address	Name of store
1.	<a href="https://www.amazon.com/stores/page/BBF85329-DCD3-45C3-81E1-E087B4AB7DC8">https://www.amazon.com/stores/page/BBF85329-DCD3-45C3-81E1-E087B4AB7DC8</a>	Oneach
2.	<a href="https://www.amazon.com/s?i=merchant-items&amp;me=A36GI2G3OQO65O&amp;dc&amp;marketplaceID=ATVPDKIKX0DER&amp;qid=1616671505&amp;ref=sr_nr_p_4_1">https://www.amazon.com/s?i=merchant-items&amp;me=A36GI2G3OQO65O&amp;dc&amp;marketplaceID=ATVPDKIKX0DER&amp;qid=1616671505&amp;ref=sr_nr_p_4_1</a>	PORTRES
3.	<a href="https://www.amazon.com/s?i=merchant-items&amp;me=A3O46TDBZ58OWB&amp;rh=p_4%3AOYEARS&amp;dc&amp;marketplaceID=ATVPDKIKX0DER&amp;qid=1616671530&amp;ref=sr_nr_p_4_2">https://www.amazon.com/s?i=merchant-items&amp;me=A3O46TDBZ58OWB&amp;rh=p_4%3AOYEARS&amp;dc&amp;marketplaceID=ATVPDKIKX0DER&amp;qid=1616671530&amp;ref=sr_nr_p_4_2</a>	OYEARS
4.	<a href="https://www.amazon.com/s?i=merchant-items&amp;me=A2W4HIALKMH95Z&amp;rh=p_4%3ABOBOMOMO&amp;dc&amp;marketplaceID=ATVPDKIKX0DER&amp;qid=1616671565&amp;ref=sr_nr_p_4_1">https://www.amazon.com/s?i=merchant-items&amp;me=A2W4HIALKMH95Z&amp;rh=p_4%3ABOBOMOMO&amp;dc&amp;marketplaceID=ATVPDKIKX0DER&amp;qid=1616671565&amp;ref=sr_nr_p_4_1</a>	BOBOMOMO

By the Order of the Board  
**China Shenghai Group Limited**  
**Liu Rongru**  
*Joint-Chairman and Chief Executive Officer*

Xiamen, the PRC, 26 March 2021

*As at the date of this announcement, the non-executive director of the Company is Mr. Li Dongfan; the executive directors of the Company are Mr. Liu Rongru and Ms. Li Jiayin and the independent non-executive directors of the Company are Mr. Liu Dajin, Mr. Liu Junting and Mr. Pang Wai Ching.*