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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1676)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Subscription of new Shares

On 5 November 2021 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement under which the Company agreed to issue and allot and the Subscriber agreed to subscribe, 8,000,000 Subscription Shares at the Subscription Price of HK\$1.5 per Subscription Share on the terms and conditions provided in the Subscription Agreement.

The gross proceeds from the Subscription are approximately HK\$12,000,000 and the net proceeds of approximately HK\$11,600,000 are intended to be applied for general working capital.

Assuming that, save for the Subscription, there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date, the total number of Subscription Shares represent approximately 8% of the existing issued share capital of the Company and approximately 7.41% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Shares will be issued under the General Mandate.

Since the Subscription is subject to the conditions set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 5 November 2021 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company agrees to issue and the Subscriber agrees to subscribe the Subscription Shares at the Subscription Price on the terms and conditions provided in the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Date

5 November 2021 (after trading hours)

Parties

Issuer: the Company

Subscriber: Lau Shek Yau John

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party, and a merchant who manages a business engaged in the provision of air freight forwarding services and distribution and logistics services.

Subscription Shares

8,000,000 Subscription Shares representing approximately 8% of the total issued share capital of the Company as at the date of this announcement and approximately 7.41% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (subject to completion of the Subscription and 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 aggregate nominal value of the Subscription Shares is HK\$800,000.

Subscription Price

The Subscription Price of HK\$1.5 per Subscription Share represents:—

- (a) a discount of approximately 5.06% to the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (b) a premium of approximately 0.40% to the average closing price of HK\$1.494 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding the date of the Subscription Agreement.

After deducting the relevant expenses of the Subscription, the net Subscription Price per Subscription Share is approximately HK\$1.45.

The Subscription Price was determined with reference to the prevailing market price of the Shares and after arm's length negotiation between the Company and the Subscriber. The Board considers that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 31 May 2021. The Company was authorised to issue and allot 20,000,000 Shares, being 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM. Since the date of the AGM and up to the date of this announcement, no Share has been allotted and issued by the Company under the General Mandate. After completion of the Subscription, such general mandate will be utilized as to approximately 40%. The issue of Subscription Share is not subject to the approval of the Shareholders.

Ranking of the Subscription Shares

The Subscription Shares will be issued free from all encumbrances including any liens, charges, security interests, encumbrances, adverse claims, options and third party rights, and will rank pari passu with all other issued Shares in all respects as at the date of allotment.

Conditions of the Subscription Agreement

Completion of the Subscription shall be conditional upon all of the following conditions having been satisfied (or waived by the Company):

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (b) the necessary consents and approvals in relation to the issue of the Subscription Shares pursuant to the General Mandate, the Subscription Agreement and the transactions contemplated thereunder from the relevant stock exchanges, other administrative, governmental or regulatory authorities in accordance and compliance with the Listing Rules or any applicable laws, regulations and any other rules of the government or regulatory bodies having been obtained; and
- (c) the warranties given by the Subscriber under the Subscription Agreement remaining true, accurate, complete and correct in all respects and not misleading in any respect up to and including the Completion Date and the Subscriber having complied with all obligations of and undertakings given by him under the Subscription Agreement.

The Company may waive any of the conditions (other than those set out in (a) and (b)) above at its absolute discretion at or before 12:00 noon (Hong Kong time) on 30 November 2021 (the **"Long Stop Date"**).

If any of the above conditions is not satisfied on or before the Long Stop Date, the Subscription Agreement will lapse and neither party to the Subscription Agreement may have any claim against each other save for antecedent breaches.

The Company will apply to the Listing Committee for listing of and permission to deal in the Subscription Shares.

Since the Subscription is subject to the conditions set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Completion of the Subscription

Within one Business Day after satisfaction (or waiver by the Company) of the last of the Conditions, the Subscriber shall make full payment of the Subscription Price for all Subscription Shares.

Completion of the Subscription shall take place within three Business Days after satisfaction (or waiver by the Company) of the last of the above conditions or at such date and time as agreed by the Company and the Subscriber.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the issue of the Subscription Shares, assuming that there is no other change in the issued share capital of the Company between the date of this announcement and the Completion Date:

	As at the date of this announcement		Immediately after issue of the Subscription Shares	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Precisely Unique Limited (<i>Note 1</i>)	52,500,000	52.50	52,500,000	48.61
The Subscriber	-	-	8,000,000	7.41
Public shareholders	47,500,000	47.50	47,500,000	43.98
Total	<u>100,000,000</u>	<u>100.00</u>	<u>108,000,000</u>	<u>100.00</u>

Note:

1. The entire issued share capital of Precisely Unique Limited is legally and beneficially owned by Mr. Liu Rongru, an executive Director of the Company, who is deemed to be interested in the Shares held by Precisely Unique Limited

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company is an investment holding company. The Group is principally engaged in (i) the sale of dried seafood, algae and fungi, and seafood snacks in the PRC; and (ii) the sale of fast-moving consumer goods.

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the shareholders and capital base of the Group so as to facilitate its future development. The Directors consider that the terms of the Subscription Agreement are fair and reasonable, on normal and commercial terms and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription are approximately HK\$12,000,000 and the net proceeds of approximately HK\$11,600,000 are intended to be applied for general working capital. The net price of each Subscription Share will be approximately HK\$1.45.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

DEFINITIONS

In this announcement, the following terms shall have the meanings ascribed to them below unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 31 May 2021
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors
“Business Day”	means any day (other than a Saturday, Sunday and public holiday) on which banks are open for general banking business in Hong Kong
“Company”	China Shenghai Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1676)
“Completion Date”	the date on which the completion of the Subscription takes place
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to

	an ordinary resolution of the Company passed at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and connected persons of the Company
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) at par value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Subscription”	the subscription of the Subscription Shares by the Subscriber in accordance with the terms and condition of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 5 November 2021 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$1.5 per Subscription Share
“Subscription Shares”	8,000,000 new Shares

“Subscriber”	Lau Shek Yau John, an individual investor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By the Order of the Board
China Shenghai Group Limited
Li Dongfan
Joint-Chairman and Executive Director

Hong Kong, 5 November 2021

As at the date of this announcement, the executive directors of the Company are Mr. Li Dongfan, Mr. Liu Rongru and Ms. Chen Xiaoling and the independent non-executive directors of the Company are Mr. Liu Dajin, Mr. Liu Junting and Mr. He Jian.