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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)**

**ANNOUNCEMENT  
SUBSCRIPTION OF SUBSCRIPTION SHARES BY  
SUBSCRIBERS UNDER GENERAL MANDATE**

**SUBSCRIPTION**

The Board is pleased to announce that on 28 March 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 12,000,000 Subscription Shares at the Subscription Price of HK\$1.5 per Subscription Share.

The Subscription Shares represents approximately 11.11% of the total issued share capital of the Company as at the date of this announcement, and approximately 10.00% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Price of HK\$1.5 per Subscription Share represents (i) a premium of approximately 2.04% to the closing price of HK\$1.47 per Share as quoted on the Stock Exchange on 25 March 2022, being the last trading day immediately prior to the date of the Subscription Agreement and (ii) a premium of approximately 3.02% to the average closing price of approximately HK\$1.456 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The aggregate gross and net proceeds from the Subscription will be approximately HK\$18,000,000 and approximately HK\$17,400,000 respectively. The Company intends to retain the net proceeds of the Subscription for general working capital of the Group. The net Subscription Price will be HK\$1.45 per Subscription Share.

The Subscription Shares will be conditionally allotted and issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM of the Company held on 31 May 2021. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate, and the issue of the Subscription Shares are not subject to any additional Shareholders' approval.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares. The Subscription is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. If such condition is not fulfilled, the Subscription will not proceed.

**As the Completion of the Subscription is subject to the satisfaction of certain conditions precedent, the Subscription may or may not proceed. Shareholders and potential Subscribers are advised to exercise caution when dealing in the Shares.**

The Board is pleased to announce that on 28 March 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 12,000,000 Subscription Shares at the Subscription Price of HK\$1.50 per Subscription Share.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

28 March 2022 (after trading hours)

### **Parties**

- (i) The Company; and
- (ii) the Subscribers.

### **Subscribers**

The Subscribers are not less than six in number. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscribers are Independent Third Parties as at the date of this announcement and upon the Completion of the Subscription.

## **Subscription**

### *Subscription Shares*

Subscription Shares will be conditionally allotted and issued by the Company pursuant to the terms and subject to the conditions set out in the Subscription Agreement. The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the Closing Date including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

The number of the Subscription Shares is 12,000,000, representing approximately 11.11% and 10.00%, respectively, of the issued shares and the issued shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued shares of the Company from the date of this announcement to the Completion of the Subscription save for the issue of the Subscription Shares) pursuant to the terms and subject to the conditions set out in the Subscription Agreement, which is summarized and set out under the paragraph headed “Conditions Precedent of the Subscription” below. The aggregate nominal value of the Subscription Shares under the Subscription will be HK\$1,200,000.

### *Subscription Price*

The Subscription Price of HK\$1.5 per Subscription Share represents (i) a premium of approximately 2.04% to the closing price of HK\$1.47 per Share as quoted on the Stock Exchange on 25 March 2022, being the last trading day immediately prior to the date of the Subscription Agreement and (ii) a premium of approximately 3.02% to the average closing price of approximately HK\$1.456 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

In addition, based on the Subscription Price of HK\$1.50 per Subscription Share and the unaudited consolidated net asset value (the “NAV”) of approximately RMB 4.16 per Share (or approximately HK\$5.08 per Share) as at 30 June 2021, the Subscription Price represents a discount of approximately 70.5% to the NAV of the Company as at 30 June 2021. However, the Board noted that such extent of discount is not uncommon among listed issuers in Hong Kong which have conducted placements or subscriptions of shares as listed issuers are not always able to issue shares at a price approximates to their NAVs since the prevailing market prices of shares of listed entities can be affected by various factors, including the industry of which the listed issuers engage in, past performances, future prospect, demand and supply of the shares of the listed issuers, and these factors are to a certain extent beyond the control of the Company.

In fact, amongst the industry peers that engage in the sales of packaged food products, most of the prevailing market price of the shares of such listed issuers reflect a discount to their respective NAVs.

Further, due to the prevailing market environment and the declining operating results of the Company, it has been difficult for the Board to locate other investors who are willing

to subscribe the Shares without significant discounts to the NAVs.

Rather, the Board believes that it is more appropriate to determine the Subscription Price with reference to the prevailing market price of the Shares, which is considered as a better indication of the market's perception with respect to the value of the Shares at a particular point of time.

The Subscription Price has been negotiated and arrived at on an arm's length basis and by reference to the market conditions. The Directors are of the opinion that the Subscription Price is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

The net Subscription Price will be HK\$1.45 per Subscription Share.

### **Conditions Precedent of the Subscription**

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 April 2022 (the "**Long Stop Date**").

### **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.

**As the Completion of the Subscription is subject to the satisfaction of certain conditions precedent, the Subscription may or may not proceed. Shareholders and potential Subscribers are advised to exercise caution when dealing in the Shares.**

## **GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES**

The Subscription Shares will be allotted and issued pursuant to the General Mandate and not subject to Shareholders' approval. The maximum number of Shares that can be issued under the General Mandate is 20,000,000 Shares. As at the date of this announcement, 8,000,000 Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of the Subscription Shares. No separate approval of Shareholders is required for the Subscription. The 12,000,000 Subscription Shares constitute 60% of the General Mandate.

## **LISTING APPLICATION**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares.

## **REASONS FOR THE SUBSCRIPTION AGREEMENT**

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. Since the outbreak of the Coronavirus Disease 2019 pandemic (the “**COVID-19 pandemic**”), the Company has faced unprecedented challenges. As a result, during the year ended 31 December 2020 and the six months ended 30 June 2021, the Group recorded losses of RMB32.3 million and RMB 31.4 million, respectively. The cash and cash equivalents held by the Group has decreased from RMB278.4 million as at 30 June 2019 to RMB199.3 million as at 30 June 2021, representing a decrease of 28.4%. Reference is made to the announcement made by the Company on 15 March 2022, the Group is expected to record a loss of not less than RMB60 million for the year ended 31 December 2021 as compared to the loss of approximately RMB31 million recorded for the year ended 31 December 2020. The Board considers that such loss was mainly attributable to the decrease in demand from the customers of the Group for its products as a result of the outbreak of the 2019 coronavirus disease, which resulted in the decrease in sales volume and profit margin of the products of the Group. Hence, the Board has been highly concerned about the uncertain business environment and considered necessary to take precautionary measures to tackle any unexpected financial obstacles.

Before resolving to the Subscription, the Company also considered alternative means of fundraising, including other forms of equity financing (such as a rights issue or an open offer) and debt financing (such as bank and other borrowings). However, other means of equity financing, such as a rights issue, would (i) incur additional costs, including but not limited to, underwriting commission and documentation and other professional fees; and (ii) take a relatively longer time when compared to the Subscription. In relation to debt financing, further borrowings would create additional interest burden for the Group and the due diligence and negotiation process with the relevant banks may be lengthy, and debt financing would also increase the debt-to-equity ratio of the Group. Therefore, in light of the continuous outbreak of the COVID-19 pandemic, the Board considers that the obtaining of additional funding through the Subscription is appropriate to offset part of the losses incurred, maintain the liquidity and the financial stability of the Group.

The aggregate gross and net proceeds from the Subscription will be approximately HK\$18,000,000 and approximately HK\$17,400,000 respectively. The Company intends to retain the net proceeds of the Subscription for general working capital of the Group.

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.

## EFFECT OF ISSUE ON SHAREHOLDING

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	
	Shares	Approximate %	Shares	Approximate %
Precisely Unique Limited ( <i>Note 1</i> )	52,500,000	48.61	52,500,000	43.75
Lau Shek Yau John	8,000,000	7.41	8,000,000	6.67
The Subscribers	-	-	12,000,000	10.00
Public shareholders	47,500,000	43.98	47,500,000	39.58
<b>Total</b>	<b>100,000,000</b>	<b>100.00</b>	<b>120,000,000</b>	<b>100.00</b>

*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

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising activities in the 12 months immediately preceding the date of this announcement.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
5 November 2021	Subscription of Shares	Approximately HK\$11.6 million	General working capital	Used as intended

## 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 28 March 2022 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$1.5 per Subscription Share
“Subscription Shares”	12,000,000 new Shares
“Subscribers”	Independent Third Parties who entered into the Subscription Agreement respectively, collectively refer to the Subscribers



“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*

Xiamen, the PRC, 28 March 2022

*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.*