

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**INTERIM RESULTS FOR THE  
TWELVE MONTHS ENDED 31 DECEMBER 2022**

The Board is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the twelve months ended 31 December 2022 (the “**Reporting Period**”), together with the audited comparative figures for the corresponding period in 2021.

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022**

*(Expressed in Renminbi)*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <b>RMB'000</b> <b>(Audited)</b>
<b>Revenue</b>	4	<b>348,438</b>	86,506
Cost of sales		<b>(337,464)</b>	(76,587)
<b>Gross profit</b>		<b>10,974</b>	9,919
Other income and other gains/(losses), net		<b>2,659</b>	(3,483)
Selling and distribution expenses		<b>(107,205)</b>	(31,380)
Administrative expenses		<b>(31,883)</b>	(35,750)
Expected credit loss on financial assets reversed/(recognized)		<b>22,785</b>	(27,158)
Finance costs		<b>(574)</b>	(1,558)
Other expenses		<b>(1,122)</b>	(6,911)
<b>Loss before income tax</b>	5	<b>(104,366)</b>	(96,321)
Income tax credit/(expense)	6	<b>843</b>	(1,347)
<b>Loss for the period</b>		<b>(103,523)</b>	(97,668)
<b>Other comprehensive income for the period, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations		<b>(5,221)</b>	567
<b>Total comprehensive loss for the period</b>		<b>(108,744)</b>	(97,101)

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022**

*(Expressed in Renminbi)*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <b>RMB'000</b> <b>(Audited)</b>
<b>Loss for the period attributable to:</b>			
- the owners of the Company		(103,523)	(97,446)
- non-controlling interests		-	(222)
		<u>(103,523)</u>	<u>(97,668)</u>
<b>Total comprehensive loss for the period attributable to:</b>			
- the owners of the Company		(108,744)	(96,892)
- non-controlling interests		-	(209)
		<u>(108,744)</u>	<u>(97,101)</u>
<b>Loss per share – Basic and Diluted (RMB)</b>	8	<u>(0.8880)</u>	<u>(0.9649)</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2022**

*(Expressed in Renminbi)*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> <b>(Unaudited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>23,691</b>	30,999
Deposits paid to suppliers		<b>4,923</b>	4,922
Rental deposits		<b>150</b>	468
Prepayments		<b>3,500</b>	3,500
		<b>32,264</b>	39,889
<b>Current assets</b>			
Inventories	9	<b>76,667</b>	61,737
Trade receivables	10	<b>126,643</b>	115,623
Deposits paid to suppliers		<b>4,583</b>	2,857
Deposits, prepayments and other receivables		<b>9,991</b>	9,472
Cash and cash equivalents		<b>90,404</b>	176,402
		<b>308,288</b>	366,091
<b>Current liabilities</b>			
Trade payables	11	<b>22,969</b>	2,482
Accruals, deposits received and other payables		<b>23,401</b>	17,262
Debentures		<b>910</b>	6,213
Lease liabilities		<b>224</b>	1,805
Provision for taxation		<b>2,575</b>	3,423
		<b>50,079</b>	31,185
<b>Net current assets</b>		<b>258,209</b>	334,906
<b>Total assets less current liabilities</b>		<b>290,473</b>	374,795

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2022**

*(Expressed in Renminbi)*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <b>RMB'000</b> <b>(Unaudited)</b>
<b>Non-current liabilities</b>			
Debentures		25,735	14,990
Lease liabilities		-	813
		<u>25,735</u>	<u>15,803</u>
<b>Net assets</b>		<u><b>264,738</b></u>	<u>358,992</u>
<b>CAPITAL AND RESERVE</b>			
Share capital	12	10,383	9,388
Reserves		<u>254,564</u>	<u>349,813</u>
		264,947	359,201
Non-controlling interests		<u>(209)</u>	<u>(209)</u>
<b>Total equity</b>		<u><b>264,738</b></u>	<u>358,992</u>

## NOTES:

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 January 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 July 2017. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is located at 5<sup>th</sup> Floor, No.5 Factory, Mexi Road, Huandong Water, Tongon District, Hui Industrial Park, Xiamen City, Fujian Province, PRC.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company collectively refer to as “**Group**”) is packaging and sales of seafood products and procurement and sales of fast moving consumer goods and others.

The directors consider the Company’s immediate and ultimate holding company is Precisely Unique Limited, which is incorporated in the British Virgin Islands and the ultimate controlling shareholder is Mr. Liu Rongru.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

#### (c) Functional and presentation currency

The functional currency of the Company is Hong Kong dollar (“**HKD**”), while the financial statements are presented in Renminbi (“**RMB**”) as the Group’s main operations are in the PRC and the functional currency of the Group’s major operating subsidiaries in RMB.

### **3. APPLICATION OF NEW AND REVISED HKFRSS**

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the group:

- Amendments to HKFRS 3 Business Combination - Reference to the Conceptual Framework
- Amendments to HKAS 16 Property Plant and Equipment - Proceeds before Intended Use
- Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **4. REVENUE AND SEGMENT INFORMATION**

Revenue is measured based on the consideration specified in a contract with a customer, net of expected goods of returns, discounts and sales related taxes.

Revenue is recognised when performance obligation is satisfied. The Group's revenue is derived from selling goods and providing services with revenue recognised at a point in time when control of the goods or services has transferred to the customer. For packaging and sales of dried seafood, algae and fungi and seafood snacks, the control is transferred when the goods are delivered to the customer. For procurement and sales of fast moving consumer goods and others, the control is transferred when the goods to which the procurement services related are shipped.

#### **Operating segment information**

In a manner consistent with how the Group manages its business and the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable and operating segments, namely (i) packaging and sales of marines products segment and (ii) all other segment.

## Disaggregated revenue information

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
<b>Revenue from contract customers</b>		
Sales of marine products	347,834	84,055
Procurement and sales of fast moving consumer goods and others	<u>604</u>	<u>2,451</u>
	<b><u>348,438</u></b>	<b><u>86,506</u></b>
Geographical markets based on location of customers		
Mainland China	347,834	84,055
Hong Kong	604	1,118
South Korea	<u>-</u>	<u>1,333</u>
	<b><u>348,438</u></b>	<b><u>86,506</u></b>
Timing of revenue recognition		
Sales at point in time	<b><u>348,438</u></b>	<b><u>86,506</u></b>

## Unsatisfied performance obligations

For sales of marine products and procurement and sales of fast moving consumer goods and others, the performance obligation are satisfied and revenue was recognised at a point in time when control of the goods has transferred to the customer. No unsatisfied performance obligation at the end of each of the Reporting Periods.

### Information about major customers

No customer contributed 10% or more of the Group's revenue during the twelve months ended 31 December 2022. (2021: Nil)

### Information about geographical areas

The Group's sales by geographical areas, based on the delivery destination of the goods as requested by the customers, were all domestic and within the PRC, Hong Kong and South Korea.

The Group's non-current assets other than financial instruments mainly represent plant and equipment and prepaid lease payments are located in the PRC.

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

*For the twelve months ended 31 December 2022 (unaudited)*

	<b>Packaging and sales of marine products segment RMB'000 (Unaudited)</b>	<b>All other segments RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
Revenue from external customer			
From external customers	<u>347,834</u>	<u>604</u>	<u>348,438</u>
Segment results	<u>(93,663)</u>	<u>594</u>	<u>(93,069)</u>
Other income and other (losses)/gains			2,659
Finance costs			(103)
Corporate expenses			<u>(13,010)</u>
Loss before taxation			<u>(103,523)</u>

*For the twelve months ended 31 December 2021 (audited)*

	Packaging and sales of marine products segment <i>RMB'000</i> (Audited)	All other segments <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Revenue from external customer			
From external customers	84,055	2,451	86,506
Segment results	<u>(70,883)</u>	<u>(9,911)</u>	<u>(80,794)</u>
Other income and other (losses)/gains			1
Finance costs			(1,426)
Corporate expenses			<u>(14,102)</u>
Loss before taxation			<u>(96,321)</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by or loss from each segment without allocation of certain other income, other gains and losses, certain finance costs and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## 5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> (Audited)
Costs of inventories	<b>337,464</b>	73,302
Write down of inventories	-	3,285
Research expenditure	<b>780</b>	652
Depreciation charge		
- Property, plant and equipment	<b>12,557</b>	17,762
Impairment loss of property, plant and equipment	-	2,973
Impairment loss on trade receivables (reversed)/recognised	<b>(22,785)</b>	24,643
Impairment loss on other receivables	-	1,076
Impairment loss on deposits paid to suppliers	-	1,439
Staff costs (including directors' emoluments)		
- Salaries and wages	<b>85,538</b>	24,075
- Bonus	-	4,506
- Retirement scheme contribution	<b>3,027</b>	2,906

## 6. INCOME TAX (CREDIT)/EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> (Audited)
Current tax		
Tax for the period		-
(Over-provision)/under-provision in respect of prior year	<b>(843)</b>	616
Deferred tax		
Current period	-	731
Total	<b>(843)</b>	1,347

## 7. DIVIDEND

The Directors do not recommend the payment of any dividend for the twelve months ended 31 December 2022 (2021: Nil).

## 8. LOSS PER SHARE

	<b>2022</b> <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
<b>Losses</b>		
Loss for the purpose of calculating basic and diluted loss per share	<u>(103,523)</u>	<u>(97,446)</u>

	<b>2022</b> <i>Number'000</i> (Unaudited)	2021 <i>Number'000</i> (Audited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (note)	<u>116,581</u>	<u>100,986</u>

Note:

- (i) Diluted loss per share were the same as the basic loss per share as the Group had no dilutive potential shares during the years ended 31 December 2022 and 2021.

## 9. INVENTORIES

	<b>2022</b> <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Raw materials	2,458	1,217
Finished goods	<u>74,209</u>	<u>60,520</u>
	<u>76,667</u>	<u>61,737</u>

During the period, write-down of inventories amounting to RMBNil has been made in 2021 (2021: RMB3,285,000) and recognised in other expenses in consolidated profit or loss.

## 10. TRADE RECEIVABLES

	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> (Audited)
Trade receivables	<b>133,081</b>	144,846
Less: impairment loss	<b>(6,438)</b>	(29,223)
	<b><u>126,643</u></b>	<u>115,623</u>

Based on the invoice dates, the ageing analysis of the Group's gross trade receivables are as follows:

	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> (Audited)
0 – 30 days	<b>47,808</b>	6,328
31 – 60 days	<b>44,979</b>	5,703
61 – 90 days	<b>40,294</b>	5,311
91 – 120 days	-	4,456
121 – 365 days	-	123,048
	<b><u>133,081</u></b>	<u>144,846</u>

## 11. TRADE PAYABLES

An ageing analysis of the Group's trade payables at the end of reporting period, based on the invoice date is as follows:

	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> (Audited)
0 – 30 days	<b>22,969</b>	2,482
31 – 60 days	-	-
	<b><u>22,969</u></b>	<u>2,482</u>

## 12. SHARE CAPITAL

	Note	2022		2021	
		Number of shares '000 (Unaudited)	Amount RMB'000 (Unaudited)	Number of shares '000 (Audited)	Amount RMB'000 (Audited)
Authorised:					
At 1 January and at 31 December		<u>1,000,000</u>	<u>87,412</u>	<u>1,000,000</u>	<u>87,412</u>

	Note	2022		2021	
		Number of shares '000 (Unaudited)	Amount RMB'000 (Unaudited)	Number of shares '000 (Audited)	Amount RMB'000 (Audited)
Issued and fully paid:					
At 1 January		108,000	9,388	100,000	8,723
Subscription of new shares under general mandate	(i)	<u>12,000</u>	<u>995</u>	<u>8,000</u>	<u>665</u>
At 31 December		<u>120,000</u>	<u>10,383</u>	<u>108,000</u>	<u>9,388</u>

- (i) On 28 March 2022, the Company and the subscribers entered into the subscription agreements under which the Company agreed to issue and allot and the subscribers agreed to subscribe, a total of 12,000,000 subscription shares at the subscription price of HK\$1.5 per subscription share. The subscription was completed on 14 April 2022. The net proceeds from the subscription are approximately HK\$17.4 million. Details of the subscription were disclosed in announcements of the Company dated 28 March 2022 and 14 April 2022.

On 5 November 2021, the Company and the subscriber entered into a 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. The subscription was completed on 17 November 2021. The net proceeds from the subscription are approximately HK\$11.6 million. Details of the subscription were disclosed in announcements of the Company dated 5 November 2021 and 18 November 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group sells dried seafood, algae and fungi, and seafood snacks in the PRC. The Group (i) sources high quality raw and processed raw materials, (ii) sub-contracts processing of the unprocessed raw materials to third parties, (iii) packages products at its own packaging facilities or through its sub-contractors, and (iv) sells packaged products under its own brand “Wofan (沃豐)”. The Group also sells dried seafood, algae and fungi without packaging. The Group also engaged in the procurement and sales of fast moving consumer goods since early 2020.

As driven by the revival of the Group’s food business, the Group’s revenue surged 3 times to approximately RMB348.4 million in the Reporting Period. Nevertheless, as impacted by decrease in average selling price, gross profit for the Reporting Period recorded approximately RMB11.0 million (2021: approximately RMB9.9 million) and gross profit margin plummeted to 3.1% (2021: 11.4%). With gross profit further worsened, and the increase in sales incentives to sales staff as well as increase expenses on promotion and advertising activities, the Group recorded a greater loss of approximately RMB103.5 million (2021: loss of RMB97.7 million).

### FOOD BUSINESS

The Group has a comprehensive product portfolio with different raw materials, flavouring and packaging and considers each product to be distinctive. The Group seeks to differentiate itself from its competitors by providing a broad and convenient choice of safe and quality products, which creates additional opportunities to drive the overall sales. During the Reporting Period, the Group offered over 100 types of dried seafood, 30 types of algae and fungi, and 60 types of seafood snacks.

The Group’s products are sold through supermarkets, trading companies, convenience stores and other sales channels, such as food companies, gift stores and e-commerce retailers.

During the Reporting Period, the dried seafood and seafood snacks offered by the Group has seen a substantial sales recovery. The management believes the recovery was attributable to the slowed industry consolidation in the fast-growing snack market in China. According to ResearchandMarket.com, China’s snack market is enjoying a CAGR growth of 6.7% by 2027, nevertheless, cash-burning strategies adopted by leading enterprises in selling and distribution have hurt the sales of the Group. As these leading enterprises have slowed down its investment during the Reporting Period, the sales of the Group’s food products have seen a major recovery. The Group’s revenue from food business surged 3 times from approximately RMB84.1 million 2021 to approximately RMB347.8 million during the Reporting Period, while gross margin decreased from 8.9% in 2021 to 3.0% in 2022.

## FAST MOVING CONSUMER GOODS AND OTHER BUSINESS

In early 2020, the Group began our new fast moving consumer goods business, which mainly involves in the sales of cosmetics, daily necessities, fashion and accessories selling to Hong Kong and South Korea from China. As a procurement agent, the Group sources for and sells fast moving consumer goods that suit the customers' specific requirements as stated in the sale contracts. During the Period, the Group has halt provision of procurement services to Korea and its orders from Hong Kong have significantly reduced due to the disruption of global supply chain and surge of transportation costs. During the Reporting Period, revenue from fast moving consumer goods amounted RMB0.6 (2021: Revenue: RMB2.5 million).

### Operating results and financial review

#### *Revenue*

During the Reporting Period, the Group's revenue surged 3 times from approximately RMB86.5 million for the twelve months ended 31 December 2021 to approximately RMB348.4 million, primarily due to decreases in both sales volume and average selling prices.

The table below sets out a breakdown of the Group's revenue categorized by product types during the Reporting Period:

	<b>Twelve months ended 31 December</b>			
	<b>2022</b>	<b>% to total</b>	<b>2021</b>	<b>% to total</b>
	<b><i>RMB'000</i></b>	<b>revenue</b>	<b><i>RMB'000</i></b>	<b>revenue</b>
Food Business	<b>347,834</b>	<b>99.8%</b>	84,055	97.2%
Fast moving consumer goods and other business	<b>604</b>	<b>0.2%</b>	<u>2,451</u>	2.8%
Total	<b><u>348,438</u></b>		<u>86,506</u>	

### *Gross profit and gross profit margin*

Gross profit represents our revenue less our cost of sales, and our gross profit margin represents gross profit divided by revenue, expressed as a percentage. The following table sets forth the gross profit and gross profit margin by product category for the Period.

	Twelve months ended 31 December			
	2022 <i>RMB'000</i>	Gross profit margin (%)	2021 <i>RMB'000</i>	Gross profit margin (%)
Food Business	10,370	3.0%	7,468	8.9%
Fast moving consumer goods and other business	<u>604</u>	100%	<u>2,451</u>	100%
Total	<u>10,974</u>	3.1%	<u>9,919</u>	11.4%

The Group's gross profit margin was approximately 11.4% and approximately 3.1% during the Period and for the corresponding period of last year. The increase in gross profit margin was mainly driven by the increasing proportion of profit from fast moving consumer good business which has a higher gross profit margin during the period.

### *Other income and other gains/(losses), net*

Other income represents rental income generated from the seaweed farms located in Xiapu, the PRC, interest income from bank deposits, government grant and loss on disposal of plant and equipment.

### *Selling and distribution expenses*

Selling and distribution expenses primarily consist of salaries and employee benefit expenses for employees engaging in the sales and promotion activities, transportation expenses, advertising and promotion expenses, rental expenses and other expenses. The increase was mainly due to increase in sales incentives to sales staff as well as increase expenses on promotion and advertising activities during the period.

### *Administrative expenses*

Administrative expenses primarily consist of salaries and employees benefit expenses, rental expenses, office expenses, depreciation and others. The increase was mainly due to the increase in headquarters expenses during the period.

### *Income tax credit/(expenses)*

Income tax expense primarily consists of Enterprise Income Tax, the applicable tax rate of which being 25%. For the twelve months ended 31 December 2022 and 2021, income tax credit/(expense) were approximately RMB0.8 million (credit) and RMB1.3 million (expenses), respectively.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), we are not subject to any income tax in the Cayman Islands or the BVI.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the twelve months ended 31 December 2022 and 2021.

### *Liquidity and financial resources and capital structures*

#### **Cash flows**

During the Reporting Period, the Group funded its working capital and other capital requirements principally by cash generated from our operating activities.

#### **Net current assets**

Net current assets decreased from approximately RMB334.9 million as at 31 December 2021 to approximately RMB258.2 million as at 31 December 2022. The decrease was primarily attributable to the decrease in cash and cash equivalents.

#### **Cash and cash equivalent and bank borrowings**

As at 31 December 2022, cash and cash equivalents of the Group was approximately RMB90.4 million, as compared to approximately RMB176.4 million as at 31 December 2021 and the Group has no bank borrowings.

#### **Gearing ratio**

As at 31 December 2022, the gearing ratio (calculated by total debts divided by the total equity as at the end of the year) was 0.101 (31 December 2021: 0.059).

#### **Capital expenditures**

For the twelve months ended 31 December 2022, the Group’s capital expenditure amounted to approximately RMBNil million (Twelve months ended 31 December 2021: approximately RMB3.0 million).

#### **Pledge of assets**

As at 31 December 2022, the Group did not pledge any assets.

## **Significant investment, material acquisitions and disposals of subsidiaries and associated companies**

There was no significant investment, material acquisition and disposal of subsidiaries by the Company during the Reporting Period. The Group currently has no plan to make any substantial investment in or acquisition of capital assets, but will continue to seek for potential investment or acquisition opportunities according to the Group's development needs.

## **Exchange risk exposure**

The Group mainly operates in the PRC and most of its operating transactions are settled in RMB. Most of its assets and liabilities are denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group did not adopt formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the Reporting Period.

## **Employees**

As at 31 December 2022, the Group had 389 full time employees in total (31 December 2021: 313). The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. The package includes salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

## **Interim dividend**

The Board did not recommend the payment of a final dividend for the twelve months ended 31 December 2022 to the shareholders.

## **Use of net proceeds from subscriptions**

On 5 November 2021, the Company and a 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 ("2021 Subscription").

The net proceeds from the 2021 Subscription amount to approximately HK\$11,600,000, of which approximately HK\$3,000,000 will be used for staff expenses, approximately HK\$2,400,000 will be used for professional fees and other miscellaneous expenses, and approximately HK\$6,200,000 will be used for purchase/deposit for purchase of goods.

As at 31 December 2022, the net proceeds from the 2021 Subscription has been fully utilized.

On 28 March 2022, the Company entered into the Subscription Agreement with not less than six Subscribers under which the Company agreed to issue and allot and the Subscribers agreed to subscribe, 12,000,000 Subscription Shares at the Subscription Price of HK\$1.5 per Subscription Share. (“2022 Subscription”)

The net proceeds from the 2022 Subscription amount to approximately RMB15 million has been utilised for the purposes and in the amounts set out below:

	<b>Net proceeds (RMB million)</b>		
	<b>Available</b>	<b>Utilised</b>	<b>Unutilised</b>
<b>Food Business</b>			
Expense for formulation and execution of new marketing strategy	1.76	1.76	-
Advertising and promotion expenses	3.00	3.00	-
Staff expenses	0.60	0.60	-
<b>Joint Venture Company as announced by the Company on 16 March 2022</b>			
Staff expenses	0.51	0.51	-
Working capital	1.50	0.38	1.12
<b>Headquarters expenses</b>			
Professional fees	2.16	2.16	-
Staff expenses	1.48	1.48	-
Office expenses	0.77	0.77	-
<b>New Fruit Distribution Business</b>			
Working capital	3.22	-	3.22
Total	15.00	10.66	4.34

#### **Events after the reporting period**

There were no important events affecting the Group, which occurred after the end of the reporting period and up to the date of this announcement.

## **Outlook**

In view of improving sales of food business, the Group has swiftly enhanced efforts in promotional activities and sought to broaden its sales coverage in order to cement the growth. On 18 November 2022, the Group entered into the Investment-Cooperation Agreement with Shandong Xinsheng and Beijing Baiweixiang in respect of the formation of the Joint Venture in the PRC. Pursuant to the Investment-Cooperation Agreement, the Joint Venture will be a limited liability company to be established in accordance with the laws of the PRC and the provisions of the Investment-Cooperation Agreement, its principal activities are sales of iberico and operations of e-commerce platform. The Directors believe that the Joint Venture has good growth potential and will further strengthen the layout of the Group's existing food businesses.

The Group will continue to keep abreast of the market conditions and identify opportunities to further diversify its sources of income, so as to stabilize the financial performance of the Group.

## **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## **CORPORATE GOVERNANCE CODE**

The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board considers that up to the date of this announcement, in the opinion of the Board, the Company has complied with the CG Code except the following deviations:

Code provision A.2.1 of the Code, which stipulates that the roles of chairman and chief executive officer should be separated. The joint-chairman and the chief executive officer of the Company is Mr. Liu Rongru. Nevertheless, the Board considers that this structure will not impair the balance of power and the authority of the Board. The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors, with independent non-executive Directors representing half of the Board. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board. Mr. Liu Rongru is the founder of the Group and he is responsible for the overall strategic planning and management of the Group. He has played an important role during the Group's expansion. Mr. Liu Rongru has extensive experience in the seafood industry, having been engaged in the seafood business for over 20 years. At present, the Board believes that it is beneficial to the management and development of the Group's businesses for Mr. Liu Rongru to be both the chairman and chief executive officer as it helps to facilitate the Board's decision-making.

Code provision E.1.2 of the CG Code requires the chairman of the board to invite the chairmen of the Audit, Remuneration, Nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the Committee or failing this his duly appointed delegate, to attend. Due to other business commitments, the chairmen and members of the Audit, Remuneration and Nomination committees of the Company could not attend the annual general meeting of the Company held in May 2021.

Code provision A.2.7 of the CG Code requires that the chairman of the Board shall at least annually hold meetings with Independent Non-executive Directors without the presence of other Directors. As Mr. Liu Rongru serves as the Joint-Chairman and Executive Director concurrently, the code provision does not apply and the Company deviates from such code provision. In addition, the Chairman of the Board is of the view that, the Independent Non-executive Directors can express their opinions to all Executive Directors more directly and effectively at the Board meetings, hence the Board is of the view that the deviation from the code provision does not have material impact on the operation of the Board.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has since 22 June 2017 adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code during the year.

### **AUDIT COMMITTEE**

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the Code. As at the date of this report, the Audit Committee consists of three members who are all the Independent Non-executive Directors of the Company. Mr. Chow Yun Cheung has been appointed as the chairlady of Audit Committee.

The Audit Committee has reviewed and discussed the interim results of the Group for the twelve months ended 31 December 2022.

## **PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinashenghaigroup.com](http://www.chinashenghaigroup.com)) and the interim report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

## **APPRECIATION**

I would like to take this opportunity to express my thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, customers and bankers for their continuous support.

On behalf of the Board of  
**China Shenghai Group Limited**  
**Liu Junting**  
*Joint-Chairman*

Xiamen, the People's Republic of China, 28 February 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Liu Junting, Mr. Liu Rongru, Ms. Li Yanfeng and Ms. Chen Chun, the non-executive directors of the Company are Mr. Hu Hongchu and Mr. Chen Futian and the independent non-executive directors of the Company are Mr. Chow Yun Cheung, Mr. Lin Zhenqing and Mr. He Jian.*