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SHENGUAN HOLDINGS (GROUP) LIMITED

神冠控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00829)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

New LJK Sale and Purchase Agreement

On 22 December 2014, the Company entered into the New LJK Sale and Purchase Agreement with LJK and Exceltech, pursuant to which the Company (or any one or more of its subsidiaries) agrees to supply collagen sausage casing products to LJK and Exceltech for a term of three years commencing from 1 January 2015 and ending on 31 December 2017.

New Zhongbo Sale and Purchase Agreement

On 22 December 2014, the Company entered into the New Zhongbo Sale and Purchase Agreement with Wuzhou Zhongbo Packaging, pursuant to which Wuzhou Zhongbo Packaging agrees to supply packaging materials to the Company (or any one or more of its subsidiaries) for a term of three years commencing from 1 January 2015 and ending on 31 December 2017.

New Junye Sale and Purchase Agreement

On 22 December 2014, the Company entered into the New Junye Sale and Purchase Agreement with Wuzhou Junye Printing Material, pursuant to which Wuzhou Junye Printing Material agrees to supply packaging materials to the Company (or any one or more of its subsidiaries) for a term of three years commencing from 1 January 2015 and ending on 31 December 2017.

Listing Rules Implications

The Transactions constitute continuing connected transactions for the Company which are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 2 December 2011, 20 December 2012, 1 March 2013 and 30 May 2014 in respect of the Existing LJK Sale and Purchase Agreement, the Existing Zhongbo Sale and Purchase Agreement and the Existing Junye Sale and Purchase Agreement. As the Existing Sale and Purchase Agreements will expire on 31 December 2014, the Group has entered into the New LJK Sale and Purchase Agreement, the New Zhongbo Sale and Purchase Agreement and the New Junye Sale and Purchase Agreement in relation to renewal of the transactions contemplated under the Existing Sale and Purchase Agreements.

1. New LJK Sale and Purchase Agreement

Date: 22 December 2014

Parties: (1) the Company;
(2) LJK; and
(3) Exceltech.

Principal Terms

Pursuant to the New LJK Sale and Purchase Agreement, the Company (or any one or more of its subsidiaries) agrees to supply collagen sausage casing products to LJK and Exceltech for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. Pursuant to the New LJK Sale and Purchase Agreement, the Company has absolute discretion to nominate any one or more of its subsidiaries to conduct the transactions under the New LJK Sale and Purchase Agreement.

The purchase price will be settled by LJK and Exceltech in cash within 45 days upon receipt of the products at each transaction with the Company (or any one or more of its subsidiaries).

Pricing Principles

The parties will make reference to the average price of similar collagen sausage casing products exported by the Company to Southeast Asia. The price of the collagen sausage casing products to be sold by the Company (or any one or more of its subsidiaries) shall not be lower than the average price of similar collagen sausage casing products exported by the Company to Southeast Asia.

The parties will also make reference to other terms offered by the Company in exporting similar collagen sausage casing products to Southeast Asia. The terms to be offered by the Company (or any one or more of its subsidiaries) to LJK and Exceltech shall be not more favourable than those offered by the Company in exporting similar collagen sausage casing products to Southeast Asia.

Historical Transaction Amounts

The table below summaries the existing cap amounts for the sale and purchase of collagen sausage casing products under the Existing LJK Sale and Purchase Agreement for the two financial years ended 31 December 2012 and 2013 and the financial year ending 31 December 2014:

	Financial years ended/ending 31 December		
	2012	2013	2014
Existing cap amounts	US\$1,370,000	US\$2,060,000	US\$3,090,000

The table below summaries the actual transaction amounts for the sale and purchase of collagen sausage casing products under the Existing LJK Sale and Purchase Agreement for the two financial years ended 31 December 2012 and 2013 and the 11 months ended 30 November 2014:

	Financial years ended		11 months
	31 December		ended
	2012	2013	30 November
			2014
Actual transaction amounts	US\$1,064,000	US\$1,457,000	US\$523,000

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the sale and purchase of collagen sausage casing products under the New LJK Sale and Purchase Agreement for the three financial years ending 31 December 2015, 2016 and 2017 are set out as follows:

	Annual caps for the financial years ending		
	31 December		
	2015	2016	2017
Annual cap amounts	RMB10,000,000	RMB11,000,000	RMB12,100,000

The above annual caps have been determined with reference to the actual transaction amounts for the years ended 31 December 2012, 31 December 2013 and the 11 months ended 30 November 2014, the estimated demand by LJK and Exceltech for the products and the estimated price of the products for the three years ending 31 December 2017.

2. New Zhongbo Sale and Purchase Agreement

Date: 22 December 2014

Parties: (1) the Company; and
(2) Wuzhou Zhongbo Packaging.

Principal Terms

Pursuant to the New Zhongbo Sale and Purchase Agreement, Wuzhou Zhongbo Packaging agrees to supply packaging materials to the Company (or any one or more of its subsidiaries) for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. Pursuant to the New Zhongbo Sale and Purchase Agreement, the Company has absolute discretion to nominate any one or more of its subsidiaries to conduct the transactions under the New Zhongbo Sale and Purchase Agreement.

The purchase price will be settled by the Company (or any one or more of its subsidiaries) in cash within 45 days upon receipt of the products at each transaction with Wuzhou Zhongbo Packaging.

Pricing Principles

The purchase prices to be payable by the Company (or any one or more of its subsidiaries) are determined with reference to the market price of the packaging materials. In determining the market price, the parties will make reference to the prices for packaging materials offered by two to three suppliers which are Independent Third Parties. The purchase prices to be payable by the Company (or any one or more of its subsidiaries) to Wuzhou Zhongbo Packaging shall not be higher than the prices offered by suppliers which are Independent Third Parties.

The parties will also make reference to other terms offered by suppliers which are Independent Third Parties for packaging materials. The terms to be offered by Wuzhou Zhongbo Packaging to the Company (or any one or more of its subsidiaries) shall be not less favourable than those offered by suppliers which are Independent Third Parties.

Historical Transaction Amounts

The table below summaries the existing cap amounts for the sale and purchase of packaging materials under the Existing Zhongbo Sale and Purchase Agreement for the two financial years ended 31 December 2012 and 2013 and the financial year ending 31 December 2014:

	Financial years ended/ending 31 December		
	2012	2013	2014
Existing cap amounts	RMB6,500,000	RMB8,650,000	RMB11,240,000

The table below summaries the actual transaction amounts for the sale and purchase of packaging materials under the Existing Zhongbo Sale and Purchase Agreement for the two financial years ended 31 December 2012 and 2013 and the 11 months ended 30 November 2014:

	Financial years ended		11 months
	31 December		ended
	2012	2013	30 November
			2014
Actual transaction amounts	RMB4,600,000	RMB7,091,000	RMB6,639,000

Proposed Annual Caps and Basis of Determination

The Directors expect that, pursuant to the New Zhongbo Sale and Purchase Agreement, for the three financial years ending 31 December 2015, 2016 and 2017, the aggregate amount of the sale and purchase of packaging materials will not exceed the annual caps set out below:

	Annual caps for the financial years ending		
	31 December		
	2015	2016	2017
Annual cap amounts	RMB8,181,000	RMB8,999,000	RMB9,899,000

The above annual caps have been determined with reference to the actual transaction amounts for the years ended 31 December 2012, 31 December 2013 and the 11 months ended 30 November 2014, the estimated demand by the Group for the packaging materials and the estimated price of the packaging materials for the three years ending 31 December 2017.

3. New Junye Sale and Purchase Agreement

Date: 22 December 2014

Parties: (1) the Company; and
(2) Wuzhou Junye Printing Material.

Principal Terms

Pursuant to the New Junye Sale and Purchase Agreement, Wuzhou Junye Printing Material agrees to supply packaging materials to the Company (or any one or more of its subsidiaries) for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. Pursuant to the New Junye Sale and Purchase Agreement, the Company has absolute discretion to nominate any one or more of its subsidiaries to conduct the transactions under the New Junye Sale and Purchase Agreement.

The purchase price will be settled by the Company (or any one or more of its subsidiaries) in cash within 45 days upon receipt of the products at each transaction with Wuzhou Junye Printing Material.

Pricing Principles

The purchase prices to be payable by the Company (or any one or more of its subsidiaries) are determined with reference to the market price of the packaging materials. In determining the market price, the parties will make reference to the prices for packaging materials offered by two to three suppliers which are Independent Third Parties. The purchase prices to be payable by the Company (or any one or more of its subsidiaries) to Wuzhou Junye Printing Material shall not be higher than the prices offered by suppliers which are Independent Third Parties.

The parties will also make reference to other terms offered by suppliers for packaging materials which are Independent Third Parties. The terms to be offered by Wuzhou Junye Printing Material to the Company (or any one or more of its subsidiaries) shall be not less favourable than those offered by suppliers which are Independent Third Parties.

Historical Transaction Amounts

The table below summaries the existing cap amounts for the sale and purchase of packaging materials under the Existing Junye Sale and Purchase Agreement for the two financial years ended 31 December 2012 and 2013 and the financial year ending 31 December 2014:

	Financial years ended/ending 31 December		
	2012	2013	2014
Existing cap amounts	RMB26,500,000	RMB35,250,000	RMB45,820,000

The table below summaries the actual transaction amounts for the sale and purchase of packaging materials under the Existing Junye Sale and Purchase Agreement for the two financial years ended 31 December 2012 and 2013 and the 11 months ended 30 November 2014:

	Financial years ended 31 December		11 months ended 30 November 2014
	2012	2013	
Actual transaction amounts	RMB22,162,000	RMB22,825,000	RMB20,889,000

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the sale and purchase of packaging products under the New Junye Sale and Purchase Agreement for the three financial years ending 31 December 2015, 2016 and 2017 are set out as follows:

	Annual caps for the financial years ending 31 December		
	2015	2016	2017
Annual cap amounts	RMB25,696,000	RMB28,266,000	RMB31,092,000

The above annual caps have been determined with reference to the actual transaction amounts for the years ended 31 December 2012, 31 December 2013 and the 11 months period ended 30 November 2014, the estimated demand by the Group for the packaging materials and the estimated price of the packaging materials for the three years ending 31 December 2017.

Reasons for and Benefits of Entering into the Transactions

The Directors are of the view that (i) the New LJK Sale and Purchase Agreement will provide the Group with a secured overseas distribution network; and (ii) the supply of packaging materials under the New Junye Sale and Purchase Agreement together with the additional supply of packaging materials under the New Zhongbo Sale and Purchase Agreement will provide the Group with a steady supply of packaging materials for its expansion of production.

The Directors (including the independent non-executive Directors) consider that the Transactions were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms and the annual caps for the Transactions are fair and reasonable for the Group and in the interests of the Group and the Shareholders as a whole.

Ms. Zhou, an executive Director and Mr. Low, a non-executive Director, had abstained from voting on the board resolutions approving the Transactions for their interests in the New Junye Sale and Purchase Agreement and the New Zhongbo Sale and Purchase Agreement, and the New LJK Sale and Purchase Agreement, respectively.

INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacture and sale of edible collagen sausage casing products in the PRC.

LJK is a limited liability company incorporated in Malaysia and is owned by Mr. Low as to 80% and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. LJK is principally engaged in trading.

Exceltech is a limited liability company incorporated in Hong Kong and is owned by Mr. Low, a non-executive Director, as to 100% and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Exceltech is currently inactive and is expected to be principally engaged in trading.

Wuzhou Junye Printing Material is owned by Mr. Sha, the spouse of Ms. Zhou, as to 99.2% and by Mr. Sha Junqi (沙俊奇先生), the son of Mr. Sha and Ms. Zhou, as to 0.8%. Ms. Zhou is the chairman of the Board, an executive Director and one of the controlling Shareholders (as defined under the Listing Rules). Wuzhou Junye Printing Material is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Wuzhou Junye Printing Material is principally engaged in packaging, printing and production and sale of paper-made products.

Wuzhou Zhongbo Packaging is owned by Mr. Sha as to 86.67% and by Mr. Sha Junqi (沙俊奇先生), as to 13.33%. Wuzhou Zhongbo Packaging is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Wuzhou Zhongbo Packaging is principally engaged in packaging, printing, and production and sales of paper-made products.

Listing Rules Implications

The Transactions constitute continuing connected transactions for the Company.

As the applicable percentage ratios (other than the profits ratio) in respect of the annual caps for the New LJK Sale and Purchase Agreement will, on an annual basis, be less than 5%, the transactions under the New LJK Sale and Purchase Agreement are only subject to the reporting and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the aggregation of the annual caps for each of the New Junye Sale and Purchase Agreement and the New Zhongbo Sale and Purchase Agreement will, on an annual basis, be less than 5%, the transactions under the New Junye Sale and Purchase Agreement and the New Zhongbo Sale and Purchase Agreement are only subject to the reporting and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Company”	Shenguan Holdings (Group) Limited (神冠控股(集團)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it by the Listing Rules
“controlling shareholder”	has the meaning ascribed to it by the Listing Rules
“Directors”	the directors of the Company
“Exceltech”	Exceltech Global Investment Pte Limited (優良國際投資有限公司), a company incorporated in Hong Kong and wholly owned by Mr. Low
“Existing Junye Sale and Purchase Agreement”	the sale and purchase agreement dated 2 December 2011 entered into between Wuzhou Shenguan and Wuzhou Junye Printing Material for sales and purchase of inner packaging materials (as supplemented by a supplemental agreement dated 20 December 2012)
“Existing LJK Sale and Purchase Agreement”	the sale and purchase agreement dated 2 December 2011 entered into between Wuzhou Shenguan and LJK for sales and purchase of the Group’s products (as supplemented by a supplemental agreement dated 1 March 2013 and a supplemental agreement dated 30 May 2014)
“Existing Sale and Purchase Agreements”	collectively, the Existing LJK Sale and Purchase Agreement, the Existing Zhongbo Sale and Purchase Agreement and the Existing Junye Sale and Purchase Agreement
“Existing Zhongbo Sale and Purchase Agreement”	the sale and purchase agreement dated 2 December 2011 entered into between Wuzhou Shenguan and Wuzhou Zhongbo Packaging for sales and purchase of inner packaging materials (as supplemented by a supplemental agreement dated 20 December 2012)
“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(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LJK”	LJK Frozen SDN. BHD., a limited liability company incorporated in Malaysia which is owned by Mr. Low as to 80%
“Mr. Low”	Mr. Low Jee Keong (劉子強先生), a non-executive Director
“Mr. Sha”	Mr. Sha Shuming (沙曙明先生), the spouse of Ms. Zhou
“Ms. Zhou”	Ms. Zhou Yaxian (周亞仙女士), the chairman of the Board, an executive Director and one of the controlling Shareholders (as defined under the Listing Rules)
“New Junye Sale and Purchase Agreement”	the sale and purchase agreement dated 22 December 2014 entered into between the Company and Wuzhou Junye Printing Material for sales and purchase of packaging materials
“New LJK Sale and Purchase Agreement”	the sale and purchase agreement dated 22 December 2014 entered into among the Company, LJK and Exceltech for sales and purchase of collagen sausage casing products
“New Zhongbo Sale and Purchase Agreement”	the sale and purchase agreement dated 22 December 2014 entered into between the Company and Wuzhou Zhongbo Packaging for sales and purchase of packaging materials
“percentage ratios”	has the meaning ascribed to it by the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transactions”	the transactions contemplated under the New LJK Sale and Purchase Agreement, the New Zhongbo Sale and Purchase Agreement and the New Junye Sale and Purchase Agreement
“U.S.”	The United States of America
“US\$”	United States Dollar, the lawful currency of the U.S.
“Wuzhou Junye Printing Material”	梧州駿業商標印刷有限公司(Wuzhou Junye Trademark Printing Material Co., Ltd.*), a company established in the PRC with limited liability on 21 January 2001, the registered capital of which is owned as to 99.2% by Mr. Sha and 0.8% by Mr. Sha Junqi (沙俊奇先生), the son of Mr. Sha and Ms. Zhou
“Wuzhou Shenguan”	梧州神冠蛋白腸衣有限公司 (Wuzhou Shenguan Protein Casing Co., Ltd.*), a wholly-owned subsidiary of the Company
“Wuzhou Zhongbo Packaging”	梧州市中柏包裝有限公司 (Wuzhou Zhongbo Packaging Co., Ltd.*), a company established in the PRC with limited liability on 21 March 1992, the registered capital of which is owned as to 86.67% by Mr. Sha and 13.33% by Mr. Sha Junqi (沙俊奇先生), the son of Mr. Sha and Ms. Zhou
“%”	per cent

By Order of the Board
Shenguan Holdings (Group) Limited
Zhou Yaxian
Chairman

Hong Kong, 22 December 2014

As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi; the non-executive Director is Mr. Low Jee Keong; and the independent non-executive Directors are Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Yang Xiaohu.

* For identification purposes only