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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)

**CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF A PROPERTY**

On 30 September 2022, the Vendor, entered into the Sale and Purchase Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Property at the consideration of approximately RMB24.692 million (PRC Value Added Tax inclusive).

As at the date of this announcement, our executive Directors, namely Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi held as to 79%, 3%, 3% and 3% equity interest in the Vendor, respectively. The remaining 12% equity interest in the Vendor is held by another three PRC citizens who are not the connected person of the Company. Hence, the Vendor is the associate of Ms. Zhou Yaxian and is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Acquisition for the Company are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

INTRODUCTION

On 30 September 2022, the Vendor, entered into the Sale and Purchase Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Property at the consideration of approximately RMB24.692 million (PRC Value Added Tax inclusive), the VAT excluded consideration is approximately RMB22.653 million.

SALE AND PURCHASE AGREEMENT

Principal terms of the Sale and Purchase Agreement are set out as follows:

Date

30 September 2022

Parties

- (1) The Vendor as a vendor; and
- (2) The Purchaser as a purchaser.

As at the date of this announcement, our executive Directors, namely Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi held as to 79%, 3%, 3% and 3% equity interest in the Vendor, respectively. The remaining 12% equity interest in the Vendor is held by another three PRC citizens who are not the connected person of the Company. Hence, the Vendor is the associate of Ms. Zhou Yaxian and is a connected person of the Company. Ms. Zhou Yaxian and Mr. Shi Guicheng are also a director and a supervisor of the Vendor, respectively.

Information of the Property

The Property included two buildings with those land use rights to 31 July 2069, located in the E-03-01(1) plot in Jiangbei area of the Guangdong-Guangxi Cooperation Special Pilot Zone, the PRC. The gross floor area of each building is approximately 6,173 square meters and the total gross area of those land use rights is approximately 10,316 square meters. The Property will be used by the Purchaser for the purpose of the manufacture of collagen food products such as collagen rice noodles, collagen drinks, beef tendon, collagen oatmeal and collagen oat drinks.

Purchase Price and payment terms

The consideration is approximately RMB24.692 million, which is payable by the Purchaser to the Vendor in cash in the following manner:

- (i) the first instalment in the amount of approximately RMB7.407 million shall be paid by 15 October 2022, the Vendor shall provide the Property to the Purchaser for the Purchaser's use after receiving the first instalment;
- (ii) the second instalment in the amount of approximately RMB7.407 million shall be paid by 15 March 2023; and
- (iii) the final instalment in the amount of approximately RMB9.877 million shall be paid by 15 October 2023.

The Purchase Price was arrived at after the negotiation between the Purchaser and the Vendor on normal commercial terms after taking into account the valuation of the Property on 23 September 2022 in the sum of approximately RMB27.109 million as appraised by an independent professional qualified valuer. The original development cost of the Property by the Vendor is approximately RMB25.632 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the Group's long-term development goals is to develop other collagen products including collagen food products based on the Group's collagen technology. The Group has obtained a number of production licenses for collagen food products and intends to devote resources to mass production. The management considers that as the Property is located next to one of the Group's existing production sites, the Acquisition can facilitate the management's daily management in the future. In addition, the production plants have already been built in the Property which the Acquisition can save the Group's time for preparation of the production plants from the beginning which would shorten the time required to achieve the target of mass production.

As at the date of this announcement, our executive Directors, namely Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi held 79%, 3%, 3% and 3% equity interest in the Vendor, respectively. All the executive Directors are regarded as having a material interest in the Acquisition and had abstained from voting on the resolutions approving the Acquisition.

Save as disclosed above, no other Directors are regarded as having a material interest in the Acquisition and hence no other Directors are required under the Listing Rules to abstain from voting on the resolutions approving the Acquisition.

The Directors (including a non-executive Director and all independent non-executive Directors but excluding all executive Directors) consider the terms of the Sale and Purchase Agreement and the Acquisition are fair and reasonable, in the ordinary and usual course of business of the Group and on normal commercial terms and that the Acquisition is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

The Vendor

The Vendor is engaged in the businesses of property development, sales of commercial house, property management and wholesale and retail of construction materials.

The Company and the Purchaser

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacture and sale of edible collagen sausage casing products, pharmaceutical products, food products, skin care and health care products and bioactive collagen products in the PRC.

The Purchaser is an indirect wholly owned subsidiary of the Company, is principally engaged in manufacturing of collagen food products such as collagen rice noodles, collagen drinks, beef tendon, collagen oatmeal and collagen oat drinks.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, our executive Directors, namely Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi held as to 79%, 3%, 3% and 3% equity interest in the Vendor, respectively. The remaining 12% equity interest in the Vendor is held by another three PRC citizens who are not the connected person of the Company. Hence, the Vendor is the associate of Ms. Zhou Yaxian and is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Acquisition for the Company are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement
“associate(s)”	shall have the meaning given to it in the Listing Rules
“Board”	the board of Directors of the Company
“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 Main Board of the Stock Exchange (Stock Code: 00829)
“connected person(s)”	shall have the meaning given to it in the Listing Rules
“Directors”	the directors of the Company
“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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	includes two buildings with those land use rights to 31 July 2069, located in the E-03-01(1) plot in Jiangbei area of the Guangdong-Guangxi Cooperation Special Pilot Zone, the PRC. The gross floor area of each building is approximately 6,173 square meters and the total gross area of those land use rights is approximately 10,316 square meters
“Purchaser”	Guangxi Jiaobao Shangpin Food Co., Ltd.* (廣西膠傲尚品食品有限公司), an indirect wholly-owned subsidiary of the Company established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Wuzhou City Shenguan Property Development Company Ltd* (梧州市神冠房地產開發有限公司), a company established in the PRC which Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi held as to 79%, 3%, 3% and 3% equity interest
“%”	per cent

* For identification purposes only

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

Hong Kong, 30 September 2022

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 Dato’ Sri Low Jee Keong; and the independent non-executive Directors are Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Yang Xiaohu.