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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

The Board announces that on 2 December 2011, the Group (through Wuzhou Shenguan) entered into the LJK Sale and Purchase Agreement with LJK, the Ample Sale and Purchase Agreement with Ample Company, the New Junye Sale and Purchase Agreement with Wuzhou Junye Printing Material and the Zhongbo Sale and Purchase Agreement with Wuzhou Zhongbo Packaging for a term of three years from 1 January 2012 and ending on 31 December 2014.

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.

### **BACKGROUND INFORMATION**

References are made to (i) the paragraph headed "Non-exempt continuing connected transactions" under the section headed "Connected Transactions" in the Prospectus; and (ii) the announcement of the Company dated 21 June 2010 in relation to the revision of the annual caps under the Exceltech Sale and Purchase Agreement. The Exceltech Sale and Purchase Agreement and the CT Sale and Purchase Agreement, which are regarding sales of the Group's products and the Junye Sale and Purchase Agreement, which is regarding supply of inner packaging materials to the Group, will expire on 31 December 2011. The Directors consider that it is in the interest of the Group to continue similar transactions as under the Exceltech Sale and Purchase Agreement, the CT Sale and Purchase Agreement and the Junye Sale and Purchase Agreement. Accordingly, on 2 December 2011, the Group (through Wuzhou Shenguan) entered into the LJK Sale and Purchase Agreement, the Ample Sale and Purchase Agreement, the New Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement.

## THE LJK SALE AND PURCHASE AGREEMENT

### Transaction Nature

Wuzhou Shenguan (as seller) entered into the LJK Sale and Purchase Agreement with LJK (as purchaser) on 2 December 2011 in relation to sales of the Group's products for a term of three years from 1 January 2012 to 31 December 2014. The purchase price will be settled by LJK in cash within 45 days upon receipt of the products at each transaction with the Group.

LJK, alike Exceltech under the Exceltech Sale and Purchase Agreement which is a sole proprietorship owned by Mr. Low, a non-executive Director, is a company controlled by Mr. Low.

### Pricing Basis

The purchase prices to be payable by LJK under the LJK Sale and Purchase Agreement are determined at each transaction with the Group and with reference to the expected size of order, the production costs, the introduction of new products, the fluctuations of exchange rate and the purchase prices offered by Independent Third Parties.

### Historical figures under the Exceltech Sale and Purchase Agreement

*Caps for the financial year ended/ending (as supplemented by the Supplemental Agreement):*

<b>2009</b>	<b>2010</b>	<b>2011</b>
RMB2,400,000	RMB5,800,000	RMB7,600,000

*Aggregate amounts paid by Exceltech to the Group for the financial year/period ended:*

<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2010</b>	<b>Ten months ended 31 October 2011</b>
RMB2,389,000	RMB4,359,000	RMB4,367,000

### Annual caps (2012 – 2014) under the LJK Sale and Purchase Agreement

<b>2012</b>	<b>2013</b>	<b>2014</b>
US\$1,370,000	US\$2,060,000	US\$3,090,000

## THE AMPLE SALE AND PURCHASE AGREEMENT

### Transaction Nature

Wuzhou Shenguan (as seller) entered into the Ample Sale and Purchase Agreement with Ample Company (as purchaser) on 2 December 2011 in relation to sales of the Group's products for a term of three years from 1 January 2012 to 31 December 2014. The purchase price will be settled by Ample Company in cash within 45 days upon receipt of the products at each transaction with the Group.

Ample Company, alike C.T. Company under the CT Sale and Purchase Agreement which is an entity owned by Mr. Wei Cheng, a director of Wuzhou Shenguan, is a company controlled by Mr. Wei Cheng.

### **Pricing Basis**

The purchase prices to be payable by Ample Company under the Ample Sale and Purchase Agreement are determined at each transaction with the Group and with reference to the expected size of order, the production costs, the introduction of new products, the fluctuations of exchange rate and the purchase prices offered by Independent Third Parties.

### **Historical figures under the CT Sale and Purchase Agreement**

*Caps for the financial year ended/ending:*

<b>2009</b>	<b>2010</b>	<b>2011</b>
RMB2,800,000	RMB4,600,000	RMB6,000,000

*Aggregate amounts paid by C.T. Company to the Group for the financial year/period ended:*

<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2010</b>	<b>Ten months ended 31 October 2011</b>
RMB1,365,000	RMB281,000	RMB4,071,000

### **Annual caps (2012 – 2014) under the Ample Sale and Purchase Agreement**

<b>2012</b>	<b>2013</b>	<b>2014</b>
US\$1,000,000	US\$1,500,000	US\$2,200,000

## **THE NEW JUNYE SALE AND PURCHASE AGREEMENT**

### **Transaction Nature**

Wuzhou Shenguan (as purchaser) entered into the New Junye Sale and Purchase Agreement with Wuzhou Junye Printing Material (as seller) on 2 December 2011 in relation to supply of inner packaging materials to the Group for a term of three years from 1 January 2012 to 31 December 2014. The purchase price will be settled by the Group in cash within 45 days upon receipt of the inner packaging materials at each transaction with Wuzhou Junye Printing Material.

### **Pricing Basis**

The purchase prices to be payable by the Group under the New Junye Sale and Purchase Agreement are determined at each transaction with Wuzhou Junye Printing Material and with reference to the market price or the price similar to those offered by Independent Third Parties.

## Historical figures under the Junye Sale and Purchase Agreement

*Caps for the financial year ended/ending:*

<b>2009</b>	<b>2010</b>	<b>2011</b>
RMB10,500,000	RMB18,000,000	RMB24,000,000

*Aggregate amounts paid by the Group to Wuzhou Junye Printing Material for the financial year/period ended:*

<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2010</b>	<b>Ten months ended 31 October 2011</b>
RMB9,901,000	RMB15,870,000	RMB12,361,000

## Annual caps (2012 – 2014) under the New Junye Sale and Purchase Agreement

<b>2012</b>	<b>2013</b>	<b>2014</b>
RMB26,500,000	RMB35,250,000	RMB45,820,000

## THE ZHONGBO SALE AND PURCHASE AGREEMENT

### Transaction Nature

Wuzhou Shenguan (as purchaser) entered into the Zhongbo Sale and Purchase Agreement with Wuzhou Zhongbo Packaging (as seller) on 2 December 2011 in relation to supply of inner packaging materials to the Group for a term of three years from 1 January 2012 to 31 December 2014. The purchase price will be settled by the Group in cash within 45 days upon receipt of the inner packaging materials at each transaction with Wuzhou Zhongbo Packaging.

### Pricing Basis

The purchase prices to be payable by the Group under the Zhongbo Sale and Purchase Agreement are determined at each transaction with Wuzhou Zhongbo Packaging and with reference to the market price or the price similar to those offered by Independent Third Parties. As confirmed by the Directors, there are no previous dealings between the Group and Wuzhou Zhongbo Packaging.

## Annual caps (2012 – 2014) under the Zhongbo Sale and Purchase Agreement

<b>2012</b>	<b>2013</b>	<b>2014</b>
RMB6,500,000	RMB8,650,000	RMB11,240,000

## **REASONS AND BENEFITS OF ENTERING INTO THE TRANSACTIONS**

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

In arriving at the relevant annual caps under the LJK Sale and Purchase Agreement, the Ample Sale and Purchase Agreement, the New Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, the Directors have considered, among other matters, (i) the historical transactions amount between the Group and Exceltech, C.T. Company and Wuzhou Junye Printing Material; (ii) the estimated overseas demand of the Group's products for the three years ending 31 December 2014, including the additional overseas demand for the Group's new products, Muslim sausage casings; and (iii) the estimated demand for inner packaging materials of the Group for the three years ending 31 December 2014.

The terms of each of the LJK Sale and Purchase Agreement, the Ample Sale and Purchase Agreement, the New Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement were agreed upon after arm's length negotiations between the Group and LJK, Ample Company, Wuzhou Junye Printing Material and Wuzhou Zhongbo Packaging, respectively. 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 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 (as detailed below) in the New Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, and the 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. Wuzhou Shenguan is a major operating subsidiary of the Company.

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.

Ample Company is a limited liability company incorporated in the U.S. and is owned by Mr. Wei Cheng, a director of Wuzhou Shenguan, as to 50% and by Mr. Wei Cheng's wife as to 50%. Therefore, Ample Company is a connected person of the Company under Chapter 14A of the Listing Rules. Ample Company is principally engaged in trading.

Wuzhou Junye Printing Material is owned by Mr. Sha, the spouse of Ms. Zhou, as to 90% and by Mr. Sha Junqi (沙俊奇先生), the son of Mr. Sha and Ms. Zhou, as to 10%. Ms. Zhou is the Chairman of the Company, an executive Director and one of the controlling Shareholders. 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 60% and by Mr. Sha Junqi (沙俊奇先生), as to 40%. 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.

## **GENERAL**

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 each of the LJK Sale and Purchase Agreement and the Ample Sale and Purchase Agreement, will, on an annual basis, be less than 5%, the transactions under the LJK Sale and Purchase Agreement and the Ample 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 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 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:

“Ample Company”	Ample Company LLC, a limited liability company incorporated in the U.S which is owned by Mr. Wei Cheng as to 50% and Mr. Wei Cheng's wife as to 50%
“Ample Sale and Purchase Agreement”	the sale and purchase agreement dated 2 December 2011 entered into between Ample Company (as purchaser) and Wuzhou Shenguan (as seller) for sales of the Group's products
“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
“C.T. Company”	C.T. Company (現代技術公司), an entity registered in California, the U.S. and owned by Mr. Wei Cheng
“CT Sale and Purchase Agreement”	the sale and purchase agreement dated 19 September 2009 entered into between C.T. Company (as purchaser) and Wuzhou Shenguan (as seller) for sales of the Group’s products
“Directors”	the directors of the Company
“Exceltech”	Exceltech Enterprise (優良工藝企業), a sole proprietorship registered in Malaysia and owned by Mr. Low
“Exceltech Sale and Purchase Agreement”	the sale and purchase agreement dated 19 September 2009 entered into between Exceltech (as purchaser) and Wuzhou Shenguan (as seller) for sales of the Group’s products
“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
“Junye Sale and Purchase Agreement”	the sale and purchase agreement dated 19 September 2009 entered into between Wuzhou Shenguan (as purchaser) and Wuzhou Junye Printing Material (as seller) for sales of inner packaging materials
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LJK”	LJK Frozen SDN. BHD. (formerly known as Exceltech Enterprise SDN. BHD.), a limited liability company incorporated in Malaysia which is owned by Mr. Low as to 80%

“LJK Sale and Purchase Agreement”	the sale and purchase agreement dated 2 December 2011 entered into between LJK (as purchaser) and Wuzhou Shenguan (as seller) for sales of the Group’s products
“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 Company, an executive Director and one of the controlling Shareholders
“New Junye Sale and Purchase Agreement”	the sale and purchase agreement dated 2 December 2011 entered into between Wuzhou Shenguan (as purchaser) and Wuzhou Junye Printing Material (as seller) for sales of inner packaging materials
“percentage ratios”	has the meaning ascribed to it by the Listing Rules
“PRC”	the People’s Republic of China
“Prospectus”	the Company’s prospectus dated 30 September 2009
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered into between Wuzhou Shenguan and Exceltech dated 21 June 2010 for the revision of the annual caps under the Exceltech Sale and Purchase Agreement for the two years ending 31 December 2011
“Transactions”	the transactions contemplated under the LJK Sale and Purchase Agreement, the Ample Sale and Purchase Agreement, the New Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement
“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 90% by Mr. Sha and 10% by Mr. Sha Junqi (沙俊奇先生), the son of Mr. Sha and Ms. Zhou

“U.S.”	The United States of America
“US\$”	United States Dollar, the lawful currency of the U.S.
“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 60% by Mr. Sha and 40% by Mr. Sha Junqi (沙俊奇先生), the son of Mr. Sha and Ms. Zhou
“Zhongbo Sale and Purchase Agreement”	the sale and purchase agreement dated 2 December 2011 entered into between Wuzhou Shenguan (as purchaser) and Wuzhou Zhongbo Packaging (as seller) for sales of inner packaging materials
“%”	per cent

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

Hong Kong, 2 December 2011

*As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Ms. Cai Yueqing, Mr. Shi Guicheng and Mr. Ru Xiquan; 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.*