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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
FX FORWARD CONTRACTS**

On 20 May 2022, Guangxi Shenguan, a wholly-owned subsidiary of the Company, entered into the FX Forward Contract B with the Bank, an Independent Third Party, to hedge against RMB/USD currency risk, in the principal amount of approximately USD29,290,000. As the Group has borrowings denominated in USD, and the Company's primary subsidiaries were incorporated and operated in the PRC and the majority of the transactions are denominated and settled in RMB, any transaction that is denominated or requires settlement in a currency other than RMB would result in foreign exchange exposure to the Group. Depreciation of RMB against USD may therefore impact the financial results of the Group. In light of this, the Group entered into the FX Forward Contracts through Guangxi Shenguan with the aim of hedging against such currency risk.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the FX Forward Contract B, when aggregated with the Previous FX Forward Contract A in the last 12 months exceeds 5% but is less than 25%, the FX Forward Contract B aggregated with the Previous FX Forward Contract A constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

On 20 May 2022, Guangxi Shenguan, a wholly-owned subsidiary of the Company, entered into the FX Forward Contract B with the Bank, an Independent Third Party, to hedge against RMB/USD currency risk, in the principal amount of approximately USD29,290,000. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Bank and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

FX Forward Contracts are used as a type of hedging instrument. In essence, pursuant to the FX Forward Contracts, the Company will buy USD by using RMB with a pre-agreed settlement date or period, at a fixed effective forward RMB: USD exchange rate.

The principal terms of the FX Forward Contracts entered into by Guangxi Shenguan (as the purchaser of USD) with the Bank (as the seller of USD) are set out below:

The FX Forward Contract B

Date of the contract: 20 May 2022

Principal amount and currency: approximately USD29,290,000

Settlement amount and currency: approximately RMB197,727,000

Forward Rate: USD1 to RMB6.7506

Settlement date: 17 May 2023

Security deposit approximately RMB15,818,000

The Previous FX Forward Contract A

Date of the contract: 25 June 2021

Principal Amount and currency: approximately USD7,879,000

Settlement amount and currency: approximately RMB52,064,000

Forward Rate: USD1 to RMB6.6080

Settlement period: from 30 June 2021 to 24 June 2022

Security deposit: approximately RMB4,165,000

The security deposit of the Previous FX Forward Contract A had been settled by utilizing the credit limit granted by the Bank to Guangxi Shenguan, and the security deposit of the FX Forward Contract B will also be settled by the same way. The Security Deposits were respectively calculated on the basis of 8% of the settlement amounts of the FX Forward Contracts. Subsequent to the trade date and before the settlement date, in the event that after deducting the potential market value loss of the FX Forward Contracts from the Security Deposits, the balance is less than 20% of the original amount of the Security Deposits, the Bank has the right to request Guangxi Shenguan to increase the Security Deposits to the extent that after deducting the potential market value loss from the increased Security Deposits, the balance is not less than 20% of the original amount of the Security Deposits by further utilizing the credit limit, and if the credit limit is not enough, Guangxi Shenguan will need to increase the Security Deposits by cash. The FX Forward Contracts require no initial cash outlay or purchase cost.

REASONS FOR AND BENEFITS OF THE FX FORWARD CONTRACTS

Due to relatively lower interest rate comparing to the bank loan denominated in RMB and partial interest subsidy by Guangxi Government on foreign currency financing outside Mainland China, the Group has borrowings denominated in USD amounted to approximately USD49.2 million as at the date of this announcement. As the Company's primary subsidiaries were incorporated and operated in the PRC and the majority of the transactions are denominated and settled in RMB, any transaction that is denominated or requires settlement in a currency other than RMB would result in foreign exchange exposure to the Group.

As there are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and USD and the currency risk of the depreciation of RMB against USD may impact the financial results of the Group, the Group entered into the FX Forward Contracts through Guangxi Shenguan with the aim of hedging against such currency risk. The principal amounts of the FX Forward Contracts will be used for the settlements of the outstanding bank loans and interests provided by the Bank to the Group at maturity.

In view of the reasons and benefits described above, the Directors (including the independent non-executive Directors) believe that the terms of the FX Forward Contracts and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

The Company and the Group

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 Bank is an Independent Third Party financial institution in the PRC.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the FX Forward Contract B, when aggregated with the Previous FX Forward Contract A in the last 12 months exceeds 5% but is less than 25%, the FX Forward Contract B aggregated with the Previous FX Forward Contract A constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

“Bank”	Bank of Communications Co. Ltd, a bank in the PRC
“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 Main Board of the Stock Exchange (Stock Code: 00829)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“FX Forward Contracts”	Collectively, FX Forward Contract B and Previous FX Forward Contract A
“FX Forward Contract B”	the foreign exchange forward contract dated 20 May 2022 between Guangxi Shenguan and the Bank, an Independent Third Party, pursuant to which, Guangxi Shenguan agrees to place an order of the principal amount of approximately USD29,290,000, and having the aim of hedging against the currency risk in relation to the possible depreciation of RMB against USD
“Group”	the Company and its subsidiaries
“Guangxi Shenguan”	Guangxi Shenguan Collagen Biological Group Company Limited (廣西神冠膠原生物集團有限公司), a company established in the PRC, which is wholly-owned by the Company
“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”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Previous FX Forward Contract A”	the foreign exchange forward contract dated 25 June 2021 between Guangxi Shenguan and the Bank, an Independent Third Party, pursuant to which, Guangxi Shenguan agrees to place an order of the principal amount of approximately USD7,879,000, and having the aim of hedging against the currency risk in relation to the possible depreciation of RMB against USD
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of the PRC
“Security Deposits”	The security deposits of the Previous FX Forward Contract A and the FX Contract B
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. dollar(s)”, “USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 20 May 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.