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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)

**DISCLOSABLE TRANSACTION
IN RELATION TO
ENTERING INTO THE PHARMACEUTICAL PRODUCTS
MARKETING AUTHORISATION HOLDER
ASSIGNMENT AGREEMENT AND CONTRACT**

On 26 October 2022 (after trading hours), Wuzhou Sanjian entered into the Assignment Agreement and Contract with Guangxi Weiwei, pursuant to which Wuzhou Sanjian agreed to (i) assign the PPMA in respect of fifty (50) pharmaceutical products to Guangxi Weiwei and (ii) sell all the existing Raw Materials to Guangxi Weiwei.

As the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Assignment Agreement and Contract exceed 5% but below 25%, the transactions contemplated under the Assignment Agreement and Contract constitutes a discloseable transaction of the Company under the Listing Rules.

INTRODUCTION

On 26 October 2022 (after trading hours), Wuzhou Sanjian entered into the Assignment Agreement and Contract with Guangxi Weiwei, pursuant to which Wuzhou Sanjian agreed to (i) assign the PPMA in respect of fifty (50) pharmaceutical products to Guangxi Weiwei for an aggregate consideration of approximately RMB42.11 million (5% VAT included); and (ii) sell the Raw Materials to Guangxi Weiwei for an aggregate consideration of approximately RMB7.54 million (VAT excluded).

Below is a brief summary of the principal terms of the Assignment Agreement and Contract:

Date : 26 October 2022

Parties : Guangxi Weiwei (as assignee and the buyer of the Raw Materials); and
Wuzhou Sanjian (as assignor and the seller of the Raw Materials)

Guangxi Weiwei is a company established under the laws of the PRC with legal qualifications for pharmaceutical production and operation in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Guangxi Weiwei and its ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

Wuzhou Sanjian is the PPMA holder of the License Products equipped with all facilities to manufacture and inspect the License Products and has the right of disposal in relation thereto.

Subject Matter : **(i) Assignment of PPMA**

To assign the PPMA of the License Products from Wuzhou Sanjian to Guangxi Weiwei.

Guangxi Weiwei shall obtain the approval documents for the transfer of PPMA of the License Products from the relevant department of the National Medical Products Administration. It is agreed by the parties that after 25 or more of the PPMA of the License Products are successfully transferred to the Buyer, the aggregate consideration of the assignment of PPMA shall remain unchanged and the Buyer shall by itself sort out the remaining PPMA of the License Products which are not yet transferred, Wuzhou Sanjian should be co-operative.

(ii) Sale and Purchase of the Raw Materials

Wuzhou Sanjian is agreed to sell, and Guangxi Weiwei is agreed to purchase the Raw Materials according to the terms and conditions of Assignment Agreement and Contract.

- Consideration and payment terms : (i) The consideration in respect of the PPMA Assignment is amounted to: a fixed sum of approximately RMB42.11 million (5% VAT included), which was determined after arm's length negotiation between the parties with reference to the valuation report prepared by an independent third party. According to the valuation report dated 26 October 2022, the value of the PPMA as at 31 August 2022 was amounted to RMB9.8 million. The net book value after amortisation of the PPMA is amounted to zero. The consideration of PPMA Assignment shall be settled in the following manners:
- (a) as to RMB37.80 million within ten (10) business days of signing the Assignment Agreement and Contract; and
 - (b) as to RMB4.31 million after the PPMA application materials are completed.
- (ii) The consideration in respect of the sale and purchase of the Raw Materials is amounted to a fixed sum of approximately RMB7.54 million (VAT excluded), which was determined after arm's length negotiation between the parties with reference to the book value of the Raw Materials as at 25 October 2022 amounted to approximately RMB9.43 million. The Raw Materials will be purchased by Guangxi Weiwei from Wuzhou Sanjian, at a 20% discount on the book value as at 25 October 2022, and the payment will be settled within 3 months of signing the Assignment Agreement and Contract regardless of whether Guangxi Weiwei uses it or not.

INFORMATION OF THE PARTIES

The Company and Wuzhou Sanjian

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.

Wuzhou Sanjian is an indirect wholly owned subsidiary of the Company and established under the laws of the PRC, with legal qualifications for pharmaceutical production and operation in the PRC, is principally engaged in manufacturing of License Products.

The Buyer

Guangxi Weiwei is a company established under the laws of the PRC with legal qualifications for pharmaceutical production and operation in the PRC. Guangxi Weiwei is wholly owned by Hainan Huluwa Pharmaceutical Group Co., Ltd (海南葫蘆娃藥業集團股份有限公司), which is a company established in the PRC and listed in the Shanghai Stock Exchange (Stock code: 605199.SH).

FINANCIAL IMPACT OF ENTERING INTO THE ASSIGNMENT AGREEMENT AND CONTRACT

It is estimated that the Company will realise an unaudited gain of approximately RMB36.18 million (after deducting VAT, stamp duty, transaction costs and corporate income tax) under the Assignment Agreement and Contract, which is calculated with reference to the difference between the considerations to be received under the Assignment Agreement and Contract and the net book value of the PPMA of the License Products and the Raw Materials. The actual amount of gain or loss under the Assignment Agreement and Contract to be recorded by the Group is subject to review and final audit to be performed by the Company's independent auditor. The net proceeds under the Assignment Agreement and Contract, which amounting to approximately RMB45.61 million (after deducting VAT, stamp duty, transaction costs and corporate income tax), will be applied by the Group for general working capital use.

The Directors are of the view that the terms of the Assignment Agreement and Contract are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE ASSIGNMENT AGREEMENT AND CONTRACT

As Wuzhou Sanjian was in loss making position in the last three financial years and the Company is not optimistic about its future performance, the Board is of the view that the Assignment Agreement and Contract provides a good opportunity for the Group to rearrange the resources of the Group on the collagen medical devices business, which is expected to be more profitable and has a greater market potential.

IMPLICATION UNDER THE LISTING RULES

As the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Assignment Agreement and Contract exceed 5% but below 25%, the transactions contemplated under the Assignment Agreement and Contract constitutes a discloseable transaction of the Company under the Listing Rules.

DEFINITIONS

“Assignment Agreement and Contract”	the Pharmaceutical Products Marketing Authorisation Holder Assignment Agreement* (藥品上市許可持有人轉讓協議) and the Pharmaceutical Products Marketing Authorisation Holder Assignment Contract* (藥品上市許可持有人轉讓合同), both dated 26 October 2022 entered into between Wuzhou Sanjian and Guangxi Weiwei
“Board”	the board of Directors
“Center for Drug Evaluation”	Center for Drug Evaluation (藥品審評中心) of the National Medical Products Administration
“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: 0829)
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangxi Weiwei” or “the Buyer”	Guangxi Weiwei Pharmaceutical Co., Ltd.* 廣西維威製藥有限公司, a limited liability company established in PRC which is wholly owned by Hainan Huluwa Pharmaceutical Group Co., Ltd (海南葫蘆娃藥業集團股份有限公司), an independent third party which is listed in the Shanghai Stock Exchange (stock code: 605199.SH)
“Raw Materials”	the raw materials owned by Wuzhou Sanjian as at 25 October 2022
“License Products”	The fifty (50) pharmaceutical products as named and listed in the Assignment Agreement and Contract
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“National Medical Products Administration”	National Medical Products Administration (國家藥品監督管理局) of the PRC
“PPMA”	Pharmaceutical Products Marketing Authorisation

“PPMA Assignment”	the assignment of the Marketing Authorisation of fifty (50) pharmaceutical products pursuant to the Assignment Agreement and Contract
“PRC”	People’s Republic of China
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Wuzhou Sanjian”	Wuzhou Sanjian Pharmaceutical Co., Ltd.* 廣西梧州三箭製藥有限公司, a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company
“Shareholders”	the shareholders of the Company
“Shares”	the share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* For identification purpose only

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

Hong Kong, 26 October 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.