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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

(1) RENEWAL OF EXCELTECH SALE AND PURCHASE AGREEMENT

**(2) RENEWAL OF FRAMEWORK AGREEMENTS FOR
THE PURCHASE OF PACKAGING MATERIALS**

**(3) RENEWAL OF FRAMEWORK AGREEMENT FOR
THE PURCHASE AND PROCESSING OF CATTLE SKIN**

CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to announce that, on 18 October 2023, the Company entered into

- (a) the Exceltech Sale and Purchase Agreement with Exceltech Food, Exceltech Global and Exceltech International, pursuant to which the Group agrees to supply the Products to Exceltech Food, Exceltech Global and Exceltech International for a period of three years commencing from 1 January 2024 to 31 December 2026;
- (b) the Junye Sale and Purchase Agreement with Wuzhou Junye, pursuant to which Wuzhou Junye agrees to supply packaging materials to the Group for a period of three years commencing from 1 January 2024 to 31 December 2026;
- (c) the Zhongbo Sale and Purchase Agreement with Wuzhou Zhongbo, pursuant to which Wuzhou Zhongbo agrees to supply packaging materials to the Group for a period of three years commencing from 1 January 2024 to 31 December 2026; and
- (d) the Zhiguan Framework Agreement with Guangxi Zhiguan, pursuant to which Guangxi Zhiguan agrees to supply cattle skin and provide cattle skin processing services to the Group for a period of three years commencing from 1 January 2024 to 31 December 2026.

LISTING RULES IMPLICATIONS

Exceltech Food is owned as to 80%, Exceltech Global is owned as to 100% and Exceltech International is owned as to 80% respectively by Dato' Sri Low, a non-executive Director and a substantial shareholder of the Company. Therefore, each of Exceltech Food, Exceltech Global and Exceltech International is an associate of Dato' Sri Low. Wuzhou Junye and Wuzhou Zhongbo are associates of Ms. Zhou and Guangxi Zhiguan is owned as to 51% by Ms. Zhou, who is an executive Director and one of the controlling Shareholders of the Company. Therefore, each of Exceltech Food, Exceltech Global, Exceltech International, Wuzhou Junye, Wuzhou Zhongbo and Guangxi Zhiguan is a connected person of the Company under the Listing Rules. Thus, the Transactions contemplated under the Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the corresponding Proposed Annual Caps for the Exceltech Sale and Purchase Agreement are, on an annual basis, less than 5%, the Transactions contemplated thereunder are 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 corresponding Proposed Annual Caps for each of the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement are, on an annual basis, exceed 5%, the Transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the corresponding Proposed Annual Caps for the Zhiguan Framework Agreement are, on an annual basis, exceed 5%, the Transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve (i) the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps and (ii) the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps. Ms. Zhou, Mr. Sha Junqi and any of their respective associates will abstain from voting in relation to the resolutions approving the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps at the EGM. All Equity Interest Holders and any of their respective associates will abstain from voting in relation to the resolutions approving the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps at the EGM. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, no other Shareholder is required to abstain from voting on the relevant resolutions to approve the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps at the EGM, pursuant to Rule 14A.36 of the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the terms of the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps. Grande Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this respect.

A circular containing, among others, details of (i) the terms of the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps; (ii) the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser; and (iii) a notice convening the EGM is expected to be despatched to the Shareholders on or before 8 November 2023.

BACKGROUND

References are made to the announcements of the Company dated 16 October 2020 and 9 November 2020 and the circular of the Company dated 25 November 2020 in relation to, among others, the continuing connected transactions under (i) the Former Exceltech Sale and Purchase Agreement; (ii) the Former Junye Sale and Purchase Agreement; (iii) the Former Zhongbo Sale and Purchase Agreement; and (iv) the Former Zhiguan Framework Agreement. The Former Exceltech Sale and Purchase Agreement, the Former Junye Sale and Purchase Agreement, the Former Zhongbo Sale and Purchase Agreement and the Former Zhiguan

Framework Agreement will all expire on 31 December 2023. As the Company, Exceltech Food, Exceltech Global, Exceltech International, Wuzhou Junye, Wuzhou Zhongbo and Guangxi Zhiguan intend to continue to carry out the relevant transactions, the Exceltech Sale and Purchase Agreement, the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, and the Zhiguan Framework Agreement were entered into on 18 October 2023 to renew the above former agreements.

THE AGREEMENTS

(a) Exceltech Sale and Purchase Agreement

Date:

18 October 2023

Parties:

- (1) The Company;
- (2) Exceltech Food;
- (3) Exceltech Global; and
- (4) Exceltech International

Summary of principal terms:

Duration and other terms

Pursuant to the Exceltech Sale and Purchase Agreement, the Group agrees to supply the Products to Exceltech Food, Exceltech Global and Exceltech International for a period of three years commencing from 1 January 2024 to 31 December 2026. The Company has absolute discretion to nominate any one or more of its subsidiaries to conduct the Transactions under the Exceltech Sale and Purchase Agreement.

The purchase price shall be settled by Exceltech Food, Exceltech Global and Exceltech International, within 60 days upon the Products have been received and examined.

Pricing principles

The parties will make reference to the average price of products similar to the specific type of Products exported by the Company to Southeast Asia. The price of each specific type of Products to be sold by the Group to Exceltech Food, Exceltech Global and Exceltech International shall not be lower than the average price of products similar to the specific type of Products exported by the Company to independent customers in Southeast Asia.

The parties will also make reference to other terms offered by the Company in exporting products similar to the specific type of Products to independent customers in Southeast Asia. The terms to be offered by the Group to Exceltech Food, Exceltech Global and Exceltech International shall not be more favourable than those offered by the Company in exporting products similar to the specific type of Products to Southeast Asia.

Annual caps

Existing annual caps

The table below sets out the existing annual caps for the supply of the Products by the Group to Exceltech Food, Exceltech Global and Exceltech International under the Former Exceltech Sale and Purchase Agreement for the two years ended 31 December 2021 and 2022 and the year ending 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Former Exceltech Sale and Purchase Agreement	RMB7,000,000	RMB8,000,000	RMB9,000,000

Historical transaction amounts

The table below sets out the actual historical transaction amounts for the supply of the Products by the Group to Exceltech Food, Exceltech Global and Exceltech International under the Former Exceltech Sale and Purchase Agreement for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023
Supply of the Products to Exceltech Food, Exceltech Global and Exceltech International	RMB4,787,000	RMB4,136,000	RMB2,504,000

It is confirmed that the annual cap under the Former Exceltech Sale and Purchase Agreement will not be exceeded for the year ending 31 December 2023.

Proposed Annual Caps and basis of determination

The Directors expect that the aggregate amounts of the supply of the Products by the Group to Exceltech Food, Exceltech Global and Exceltech International under the Exceltech Sale and Purchase Agreement will not exceed the corresponding Proposed Annual Caps set out below for the three years ending 31 December 2026:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Exceltech Sale and Purchase Agreement	RMB7,000,000	RMB8,000,000	RMB9,000,000

The Proposed Annual Caps have been determined with reference to the actual transaction amounts for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023, the estimated demand by Exceltech Food, Exceltech Global and Exceltech International for the Products and the estimated price of the Products for the three years ending 31 December 2026.

Reasons for and benefits of entering into the Exceltech Sale and Purchase Agreement

The Directors (including the independent non-executive Directors) consider that the entering into the Exceltech Sale and Purchase Agreement will provide the Group with a secured overseas distribution network, and that (i) the terms of the Exceltech Sale and Purchase Agreement and the Transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable than those available to or from Independent Third Parties, and (ii) the terms of the Exceltech Sale and Purchase Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal control measures

To ensure that the Transactions contemplated under the Exceltech Sale and Purchase Agreement will be conducted in accordance with the terms of the Exceltech Sale and Purchase Agreement, on normal commercial terms or better terms, and in accordance with the pricing policy of the Company, the Group has adopted the following internal control measures to monitor the Transactions contemplated thereunder:

Upon the receipt of any purchase order from Exceltech Food, Exceltech Global and Exceltech International, the sales department of the Company will compare such order with the prices of sales transactions of the specific type of Products with similar specification of similar quantity and payment terms between the Group and at least other two independent customers of Southeast Asia. The sales department of the Company will ensure that the price of each specific type of Products to be sold by the Group to Exceltech Food, Exceltech Global and Exceltech International shall not be lower than the average price of products similar to the specific type of Products exported by the Company to the independent customers in Southeast Asia. In addition, all individual contracts for the supply of the Products will be notified to the finance department of the Group, which keeps record of connected party transactions and oversees and controls such transactions. The management of the Company will ensure that the Transactions under the Exceltech Sale and Purchase Agreement will be conducted in accordance with the terms of the Exceltech Sale and Purchase Agreement. The independent non-executive Directors and the auditors of the Company will review and confirm the continuing connected transactions contemplated under the Exceltech Sale and Purchase Agreement in accordance with the Listing Rules on an annual basis.

(b) Junye Sale and Purchase Agreement

Date:

18 October 2023

Parties:

- (1) The Company; and
- (2) Wuzhou Junye

Summary of principal terms:

Duration and other terms

Pursuant to the Junye Sale and Purchase Agreement, Wuzhou Junye agrees to supply packaging materials to the Group for a period of three years commencing from 1 January 2024 to 31 December 2026. The Company has absolute discretion to nominate any one or more of its subsidiaries to conduct the Transactions contemplated under the Junye Sale and Purchase Agreement.

For each Transaction with Wuzhou Junye, the purchase price shall be settled by the Group before the 20th day of the subsequent month after the Group has received and examined to the Group's satisfaction the packaging materials from Wuzhou Junye.

Pricing principles

The purchase prices to be payable by the Group 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 independent suppliers to the Group. The purchase prices to be payable by the Group to Wuzhou Junye shall not be higher than the prices offered by such independent suppliers.

The parties will also make reference to other terms offered by independent suppliers for packaging materials. The terms to be offered by Wuzhou Junye to the Group shall be no less favourable than those offered by such independent suppliers.

(c) Zhongbo Sale and Purchase Agreement

Date:

18 October 2023

Parties:

- (1) The Company; and
- (2) Wuzhou Zhongbo

Summary of principal terms:

Duration and other terms

Pursuant to the Zhongbo Sale and Purchase Agreement, Wuzhou Zhongbo agrees to supply packaging materials to the Group for a period of three years commencing from 1 January 2024 to 31 December 2026. The Company has absolute discretion to nominate any one or more of its subsidiaries to conduct the Transactions under the Zhongbo Sale and Purchase Agreement.

For each Transaction with Wuzhou Zhongbo, the purchase price shall be settled by the Group before the 20th day of the subsequent month after the Group has received and examined to the Group's satisfaction the packaging materials from Wuzhou Zhongbo.

Pricing principles

The purchase prices to be payable by the Group 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 independent suppliers to the Group. The purchase prices to be payable by the Group to Wuzhou Zhongbo shall not be higher than the prices offered by such suppliers.

The parties will also make reference to other terms offered by independent suppliers for packaging materials. The terms to be offered by Wuzhou Zhongbo to the Group shall be no less favourable than those offered by such suppliers.

Annual caps

Existing annual caps

The table below sets out the existing annual caps for the purchases of packaging materials by the Group (i) from Wuzhou Junye under the Former Junye Sale and Purchase Agreement and (ii) from Wuzhou Zhongbo under the Former Zhongbo Sale and Purchase Agreement for the two years ended 31 December 2021 and 2022 and the year ending 31 December 2023 respectively:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Former Junye Sale and Purchase Agreement	RMB34,750,000	RMB40,660,000	RMB47,570,000
Former Zhongbo Sale and Purchase Agreement	<u>RMB8,070,000</u>	<u>RMB9,880,000</u>	<u>RMB11,950,000</u>
Total	<u><u>RMB 42,820,000</u></u>	<u><u>RMB 50,540,000</u></u>	<u><u>RMB 59,520,000</u></u>

Historical transaction amounts

The table below sets out the actual historical transaction amounts for the purchases of packaging materials by the Group (i) from Wuzhou Junye under the Former Junye Sale and Purchase Agreement and (ii) from Wuzhou Zhongbo under the Former Zhongbo Sale and Purchase Agreement for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 respectively:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023
Purchase from Wuzhou Junye	RMB28,041,000	RMB31,501,000	RMB23,531,000
Purchase from Wuzhou Zhongbo	<u>RMB6,386,000</u>	<u>RMB6,791,000</u>	<u>RMB5,143,000</u>
Total	<u><u>RMB34,427,000</u></u>	<u><u>RMB38,292,000</u></u>	<u><u>RMB28,674,000</u></u>

It is confirmed that the annual cap under each of the Former Junye Sale and Purchase Agreement and the Former Zhongbo Sale and Purchase Agreement will not be exceeded for the year ending 31 December 2023.

Proposed Annual Caps and basis of determination

The Directors expect that the aggregate amounts of the purchases of packaging materials by the Group (i) from Wuzhou Junye under the Junye Sale and Purchase Agreement and (ii) from Wuzhou Zhongbo under the Zhongbo Sale and Purchase Agreement will not exceed the corresponding Proposed Annual Caps set out below for the three years ending 31 December 2026 respectively:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Junye Sale and Purchase Agreement	RMB58,350,000	RMB70,030,000	RMB77,030,000
Zhongbo Sale and Purchase Agreement	<u>RMB12,750,000</u>	<u>RMB15,300,000</u>	<u>RMB16,830,000</u>
Total	<u>RMB71,100,000</u>	<u>RMB85,320,000</u>	<u>RMB93,850,000</u>

The packaging materials provided by Wuzhou Junye are used for food inner packaging, which will contact food directly, so that the required quality standard of the packaging materials is higher in terms of hygiene and safety considerations, while the packaging materials provided by Wuzhou Zhongbo are normal paper boxes used for outer packaging, which will not directly contact food.

The Proposed Annual Caps under each of the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement have been determined with reference to:

- (i) the actual transaction amounts for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 under the Former Junye Sale and Purchase Agreement and the Former Zhongbo Sale and Purchase Agreement;
- (ii) it is estimated that for each of the three years ending 31 December 2026, the price of packaging materials will increase by approximately 5.0% following the China's Gross Domestic Product grew by 5.5% year-on-year;
- (iii) it is expected that the large scale launch of new collagen sausage casing products in the large and medium sized casing category in 2024 and is expected to increase the production lines from 200 production lines at the beginning of 2023 up to 350 production lines for the financial year ending 2024 to meet the production demand,

and the respective production capacity will increase by approximately 50.0% for the year of 2024 and further 15.0% and 5.0% for each year of 2025 and 2026 respectively; and

- (iv) due to seasonality factor, the first and fourth quarters of the year are normally the production peak seasons of the Group of collagen sausage casing and the purchase of packaging materials in the fourth quarter will relatively higher.

Conditions precedent

The Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps are, among others, subject to and conditional upon the approval by the Independent Shareholders at the EGM in accordance with the Listing Rules.

In case where the conditions precedent cannot be fulfilled on or before 31 December 2023 (or a later date as agreed by the parties thereto), the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement shall be terminated, and, except in relation to any default occurred prior to such termination, none of the parties shall have any rights or remedies against the other thereunder.

Reasons for and benefits of entering into the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement

According to public records and to the best of the Directors' knowledge after making reasonable enquiries, Wuzhou Junye is the only supplier which holds the PRC National Manufacturing Licence for Industrial Products (Paper Food Containers and Similar Products)* (全國工業產品生產許可證(食品用紙包裝容器等製品)) in Wuzhou city of the PRC. Both Wuzhou Junye and Wuzhou Zhongbo are close to the production base of the Group, frequent orders of packaging materials can be delivered to the Group's production base without requiring the Group to maintain a high level of stock and in turn lower the cost of storage.

The Directors (including the independent non-executive Directors whose views are provided after taking into account the views of the Independent Financial Adviser) consider that entering into each of the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement provides the Group with a steady supply of packaging materials for its production, and that (i) the terms of each of the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement and the Transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of the Independent Third Parties, and (ii) the terms of each of the Junye Sale and Purchase Agreement and Zhongbo Sale and Purchase Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal control measures

To ensure that the Transactions contemplated under each of the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement will be conducted in accordance with the terms therein, on normal commercial terms or better, and in accordance with the pricing policy of the Company, the Group has adopted the following internal control measures to monitor the Transactions contemplated thereunder:

The purchase department of the Company will be responsible for identifying suitable suppliers of packaging materials. During the selection process, at least two quotations from two independent suppliers will be sought for comparison and only the quotation with the most favourable terms will be selected. The purchase department manager will be responsible for seeking quotation from at least two independent suppliers for the packaging materials. In seeking and comparing such quotations, the purchase department manager will take into account the price, delivery time, transportation costs and quality of the packaging materials as a whole. The purchase department manager will submit all quotations obtained to the vice-president of the Group who oversees the purchase department for his approval in order to ensure only the quotation with the most favourable terms is selected. In addition, all individual contracts for the sale and purchase of packaging materials will be notified to the finance department of the Group, which keeps record of connected party transactions and oversees and controls such transactions. The management of the Company will ensure that the Transactions under the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement will be conducted in accordance with the terms therein. The independent non-executive Directors and the auditors of the Company will review and confirm the continuing connected transactions contemplated under the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement in accordance with the Listing Rules on an annual basis.

(d) Zhiguan Framework Agreement

Date:

18 October 2023

Parties:

- (1) The Company; and
- (2) Guangxi Zhiguan

Summary of principal terms:

Duration and other terms

Pursuant to the Zhiguan Framework Agreement, Guangxi Zhiguan agrees to supply cattle skin and provide cattle skin processing services to the Group for a period of three years commencing from 1 January 2024 to 31 December 2026. The Company has absolute discretion to nominate any one or more of its subsidiaries to conduct the Transactions under the Zhiguan Framework Agreement.

For each Transaction with Guangxi Zhiguan, the purchase prices and the processing charges for the cattle skin will be settled by the Group before the 20th day of the subsequent month after the Group has received and examined to the Group's satisfaction the cattle skin or the processing services from Guangxi Zhiguan.

Pricing principles

The purchase prices for the cattle skin to be payable by the Group under the Zhiguan Framework Agreement are determined with reference to the market price of the cattle skin. In determining the market price, the parties will make reference to the prices for cattle skin offered by two to three independent suppliers, the difference in the location of cattle skin suppliers, transportation costs and quality of cattle skin of other independent suppliers.

The processing charges for the cattle skin to be payable by the Group under the Zhiguan Framework Agreement are determined with reference to the market processing charges of the processing services. In determining the market processing charges, the parties will make reference to the prices for processing services offered by two to three independent suppliers, the difference in the location of services supplier, transportation costs and quality of services. The parties will also make reference to other terms offered by independent suppliers for such processing services.

For the avoidance of doubt, the terms to be offered by Guangxi Zhiguan to the Group shall be no less favourable than those offered by independent suppliers.

Annual caps

Existing annual caps

The table below sets out the existing annual caps for the purchase of cattle skin by the Group from Guangxi Zhiguan under the Former Zhiguan Framework Agreement for the two years ended 31 December 2021 and 2022 and the year ending 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Former Zhiguan Framework Agreement	RMB229,860,000	RMB303,160,000	RMB384,990,000

Historical transaction amounts

The table below sets out the actual historical transaction amounts for the purchase of cattle skin by the Group from Guangxi Zhiguan under the Former Zhiguan Framework Agreement for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023
Purchase from Guangxi Zhiguan	RMB175,735,000	RMB219,875,000	RMB168,930,000

It is confirmed that the annual cap under the Former Zhiguan Framework Agreement will not be exceeded for the year ending 31 December 2023.

Proposed Annual Caps and Basis of Determination

The Directors expect that the aggregate amounts of the purchase prices and the processing charges of the cattle skin payable by the Group to Guangxi Zhiguan under the Zhiguan Framework Agreement will not exceed the corresponding Proposed Annual Caps set out below for the three years ending 31 December 2026:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Zhiguan Framework Agreement	RMB443,890,000	RMB532,670,000	RMB585,250,000

The Proposed Annual Caps under the Zhiguan Framework Agreement have been determined with reference to:

- (i) the actual transaction amounts of purchase of cattle skin from Guangxi Zhiguan for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023;
- (ii) the estimated price of cattle skin for each of the three years ending 31 December 2026 will increase by approximately 5% following the China's Gross Domestic Product grew by 5.5% year-on-year;
- (iii) it is expected that the large scale launch of new collagen sausage casing products in the large and medium sized casing category in 2024 and is expected to increase the production lines from 200 production lines at the beginning of 2023 up to 350 production lines for the financial year ending 2024 to meet the production demand, and the respective production capacity will increase by approximately 50.0% for the year of 2024 and further 15.0% and 5.0% for each year of 2025 and 2026 respectively;
- (iv) approximately 74% of the total cattle skin purchased by the Group were supplied by Guangxi Zhiguan for the nine months ended 30 September 2023 and the Group is expected to reach approximately 80% for each of the three financial years ending 2026 taking into account the years of relationship established with Guangxi Zhiguan which could ensure the quality of cattle skin, cost and operation efficiency and processing services provided for cattle skin while cattle skin is a crucial raw material for producing the collagen sausage casing products; and

- (v) due to seasonality factor, the first and fourth quarters of the year are normally the production peak seasons of the Group of collagen sausage casing and the purchase of cattle skin in the fourth quarter will relatively higher.

Conditions precedent

The Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps are, among others, subject to and conditional upon the approval by the Independent Shareholders at the EGM in accordance with the Listing Rules.

In case where the conditions precedent cannot be fulfilled on or before 31 December 2023 (or a later date as agreed between the parties thereto), the Zhiguan Framework Agreement shall be terminated, and, except in relation to any default occurred prior to such termination, none of the parties shall have any rights or remedies against the other thereunder.

Reasons for and Benefits of Entering into the Zhiguan Framework Agreement

Guangxi Zhiguan is a well-managed enterprise with fully-established environmental protection facilities, advanced plant and equipment and strong supply capabilities. Its production base situated in Wuzhou is close to the production base of the Group and therefore could supply fresh cattle skin (mainly imported skin) and provide cattle skin processing services to the Group within short time limit. This helps to improve the Group's cattle skin operation management.

The percentage of the purchase cost of cattle skin paid by the Group to Guangxi Zhiguan accounted for approximately 79%, 70% and 74% respectively of the total purchase cost of cattle skin of the Group for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 under the Former Zhiguan Framework Agreement. The percentage of the purchase cost and processing service charge of cattle skin to be paid by the Group to Guangxi Zhiguan is expected to account for approximately 80% of the total purchase cost and processing service charge of cattle skin of the Group for each of the three years ending 31 December 2026 under the Zhiguan Framework Agreement. The Board is of the view that the Group has no reliance and dependence on Guangxi Zhiguan for the supply of cattle skin and processing service based on the following reasons:

- (i) Guangxi Zhiguan does not dominate the cattle skin provision and processing industry. The cattle skin provided for the Group's production is not unique in nature and the supply of such cattle skin in the market is abundant and readily available, which can be easily sourced at similar price from other independent suppliers in the PRC;

- (ii) although the proportion of cattle skin supply contributed by Guangxi Zhiguan to the Group is the largest among other suppliers, the Group has established relationships with other independent suppliers who can easily substitute each other for the supply of cattle skin and processing services. There will not have any material adverse impact on the Group's businesses should there be any change in the relationship with Guangxi Zhiguan because it is easy to source the cattle skin products from other independent suppliers;
- (iii) the Group has established business relationship with Guangxi Zhiguan for eight years, while the Group and Guangxi Zhiguan are operating independently and not mutually dependent on each other. The cattle skin supplied by Guangxi Zhiguan is not only used for collagen sausage casing, but for a variety of products to other industries;
- (iv) the supply of cattle skin and processing service by Guangxi Zhiguan as contemplated under the Zhiguan Framework Agreement is not on an exclusive basis, which provides the Group with sufficient independence and flexibility;
- (v) the Zhiguan Framework Agreement does not impose any minimum procurement requirement or restrictive obligation on the Group for the procurement of cattle skin and processing service from other suppliers; and
- (vi) the Company has full discretion in making its purchase decisions and may adjust its procurement policies in respect of cattle skin on an on-going basis in accordance with the applicable circumstances.

Guangxi Zhiguan is substantially held by Ms. Zhou, an executive Director and one of the controlling Shareholders of the Company, the business relationship between the Group and Guangxi Zhiguan is stable since its establishment. There is no red flag indicating that the relationship between the Group and Guangxi Zhiguan will be materially adversely changed or terminated. Moreover, to make sure the sustainable supply of cattle skin, the Group (i) maintains business relationship with at least other two independent suppliers of cattle skin in the market and (ii) keeps inventory of raw materials and work-in-progress of cattle skin for at least three months.

The Directors (including the independent non-executive Directors whose views are provided after taking into account the views of the Independent Financial Adviser) consider that entering into the Zhiguan Framework Agreement will enable the Group to ensure the supply of high quality cattle skin and reduce the capital investment in equipment and the corresponding human resources for processing the cattle skin, which is a major raw material for the production of collagen sausage casings and the Group's other collagen products, and that (i) the terms of the Zhiguan Framework Agreement and the Transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of Independent Third Parties, and (ii) the terms of the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal control measures

To ensure that the Transactions contemplated under the Zhiguan Framework Agreement will be conducted in accordance with the terms therein, on normal commercial terms or better terms, and in accordance with the pricing policy of the Company, the Group has adopted the following internal control measures to monitor the Transactions contemplated thereunder:

The purchase department of the Company will be responsible for identifying suitable suppliers of cattle skin and cattle skin processing services. During the selection process, at least two quotations from two independent suppliers will be sought for comparison and only the quotation with the most favourable terms will be selected. In addition, all individual contracts for the sale and purchase of cattle skin and provision of cattle skin processing services will be notified to the finance department of the Group, which keeps record of connected party transactions and oversees and controls such transactions. The management of the Company will ensure that the Transactions under the Zhiguan Framework Agreement will be conducted in accordance with the terms therein. The independent non-executive Directors and the auditors of the Company will review and confirm the continuing connected transactions contemplated under the Zhiguan Framework Agreement in accordance with the Listing Rules on an annual basis.

INFORMATION ON 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.

Exceltech Food, Exceltech Global and Exceltech International

Exceltech Food is a limited liability company incorporated in Malaysia and principally engaged in trading. Exceltech Food is owned as to 80% by Dato' Sri Low.

Exceltech Global is a company incorporated in Hong Kong and principally engaged in trading. It is wholly owned by Dato' Sri Low.

Exceltech International is a limited liability company incorporated in Malaysia and principally engaged in trading. It is owned as to 80% by Dato' Sri Low.

Dato' Sri Low is a non-executive Director and a substantial shareholder of the Company, therefore each of Exceltech Food, Exceltech Global and Exceltech International is an associate of Dato' Sri Low and a connected person of the Company under Chapter 14A of the Listing Rules.

Wuzhou Junye

Wuzhou Junye is a company established in the PRC with limited liability and principally engaged in printing, production and sale of paper-made products in the PRC. It is owned as to 99.2% by Mr. Sha and 0.8% by Mr. Sha Junqi. Mr. Sha is the spouse of Ms. Zhou, and Mr. Sha Junqi is an executive Director and the son of Mr. Sha and Ms. Zhou. Ms. Zhou is the chairman of the Board, an executive Director and one of the controlling Shareholders. Therefore, Wuzhou Junye is an associate of Ms. Zhou and a connected person of the Company under Chapter 14A of the Listing Rules.

Wuzhou Zhongbo

Wuzhou Zhongbo is a company established in the PRC with limited liability and principally engaged in printing, production and sale of paper-made products in the PRC. It is owned as to 98.33% by Mr. Sha and as to 1.67% by Mr. Sha Junqi. Mr. Sha is the spouse of Ms. Zhou and Mr. Sha Junqi is an executive Director and the son of Mr. Sha and Ms. Zhou. Therefore, Wuzhou Zhongbo is an associate of Ms. Zhou and a connected person of the Company under Chapter 14A of the Listing Rules.

Guangxi Zhiguan

Guangxi Zhiguan is a company established in the PRC with limited liability and principally engaged in processing and sale of cattle skin as raw materials, sale and purchase of and import and export of cattle skin business. Guangxi Zhiguan is owned as to 51% by Ms. Zhou, therefore Guangxi Zhiguan is an associate of Ms. Zhou and a connected person of the Company under Chapter 14A of the Listing Rules. Set out below is a summary of the equity interest holding structure of Guangxi Zhiguan as at the date of this announcement:

Name of the Equity Interest Holders	Equity interest in Guangxi Zhiguan
Ms. Zhou	51%
Mr. Rong Zhibiao (容志彪)	35%
Mr. Wen Jinpei (溫錦培), a senior management of the Group	1%
Ms. Cai Yueqing (蔡月卿), a former executive Director	1%
Mr. Ru Xiquan (茹希全), an executive Director	1%
Mr. Mo Yunxi (莫運喜), an executive Director	1%
Mr. Shi Guicheng (施貴成), a former executive Director	1%
Mr. Zhou Junli (周峻立), the nephew of Ms. Zhou	2%
Ms. Zhou Yuchan (周玉嬋), the sister of Ms. Zhou	2%
Ms. Luo Jiaming (羅嘉鳴)	1%
Ms. Quan Chuwa (全楚娃)	1%
Ms. Lu Xin (陸欣)	1%
Ms. Tan Qixia (譚綺霞)	1%
Ms. Sha Lifei (沙麗飛), the sister of Mr. Sha	1%
Total:	<u>100%</u>

To the best of the knowledge, belief and information of the Directors, and having made reasonable enquiries, each of Mr. Rong Zhibiao, Ms. Luo Jiaming, Ms. Quan Chuwa, Ms. Lu Xin and Ms. Tan Qixia is an Independent Third Party.

Guangxi Zhiguan applied for the Food Production Licence* (食品生產許可證) under the Measures for the Administration for Food Production Licensing* (食品生產許可管理辦法) and Food Safety Law* (食品安全法) of the PRC on a voluntary basis and was granted with such licence, effective until 9 October 2027, by the Wuzhou Bureau for Administrative Examination and Approval* (梧州市行政審批局), the local issuing authority of the China Food and Drug Administration* (國家食品藥品監督管理總局) where Guangxi Zhiguan is located. During the term of the aforesaid licence, Guangxi Zhiguan is required to maintain and follow the standards in relation to plants, equipment and operation policies on food safety under the Measures for the Administration for Food Production Licensing* (食品生產許可管理辦法) (as amended from time to time) and is subject to regular inspections to be carried out by the relevant governmental authorities. To the best of the Directors' knowledge after making reasonable enquires, Guangxi Zhiguan is the only supplier who has been granted the Food Production Licence* (食品生產許可證) among all suppliers of cattle skin of the Group as at the date of this announcement.

LISTING RULES IMPLICATIONS

Exceltech Food is owned as to 80%, Exceltech Global is owned as to 100% and Exceltech International is owned as to 80% respectively by Dato' Sri Low, a non-executive Director and a substantial shareholder of the Company. Therefore, each of Exceltech Food, Exceltech Global and Exceltech International is an associate of Dato' Sri Low. Wuzhou Junye and Wuzhou Zhongbo are associates of Ms. Zhou and Guangxi Zhiguan is owned as to 51% by Ms. Zhou, who is an executive Director and one of the controlling Shareholders of the Company. Therefore, each of Exceltech Food, Exceltech Global, Exceltech International, Wuzhou Junye, Wuzhou Zhongbo and Guangxi Zhiguan is a connected person of the Company under the Listing Rules. Thus, the Transactions contemplated under the Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the corresponding Proposed Annual Caps for the Exceltech Sale and Purchase Agreement are, on an annual basis, less than 5%, the Transactions contemplated thereunder are 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 corresponding Proposed Annual Caps for each of the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement are, on an annual basis, exceed 5%, the Transactions contemplated under the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the corresponding Proposed Annual Caps for the Zhiguan Framework Agreement are, on an annual basis, exceed 5%, the Transactions contemplated thereunder the Zhiguan Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve (i) the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps and (ii) the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps. Ms. Zhou, Mr. Sha Junqi and any of their respective associates will abstain from voting in relation to the resolutions approving the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps at the EGM. All Equity Interest Holders and any of their respective associates will abstain from voting in relation to the resolutions approving the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps at the EGM. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, no other Shareholder is required to abstain from voting on the relevant resolutions to approve the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement and the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps at the EGM, pursuant to Rule 14A.36 of the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the terms of the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps. Grande Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this respect.

A circular containing, among others, details of (i) the terms of the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, the Zhiguan Framework Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps; (ii) the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser; and (iii) a notice convening the EGM is expected to be despatched to the Shareholders on or before 8 November 2023.

Other than Dato' Sri Low, who is considered to have material interests in the Transactions contemplated under the Exceltech Sale and Purchase Agreement and had abstained from voting, no Director had a material interest in the Exceltech Sale and Purchase Agreement and was required to abstain from voting on the relevant Board resolutions.

Other than Ms. Zhou and Mr. Sha Junqi, both are considered to have material interests in the Transactions contemplated under the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement and had abstained from voting, no Director had a material interest in the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement and was required to abstain from voting on the relevant Board resolutions.

Other than Ms. Zhou, Mr. Ru Xiquan and Mr. Mo Yunxi, who are considered to have material interests in the Transactions contemplated under the Zhiguan Framework Agreement and had abstained from voting, no Director had a material interest in the Zhiguan Framework Agreement and was required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

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

“Agreements”	the Exceltech Sale and Purchase Agreement, the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, and the Zhiguan Framework Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Dato’ Sri Low”	Dato’ Sri Low Jee Keong (拿督斯里劉子強先生), a non-executive Director and a substantial shareholder of the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among others, (i) the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps and (ii) the Zhiguan Framework Agreement and the Transactions and Proposed Annual Caps thereunder

“Equity Interest Holders”	Ms. Zhou, Mr. Rong Zhibiao (容志彪), Mr. Wen Jinpei (溫錦培), Ms. Cai Yueqing (蔡月卿), Mr. Ru Xiquan (茹希全), Mr. Mo Yunxi (莫運喜), Mr. Shi Guicheng (施貴成), Mr. Zhou Junli (周峻立), Ms. Zhou Yuchan (周玉嬋), Ms. Luo Jiaming (羅嘉鳴), Ms. Quan Chuwa (全楚娃), Ms. Lu Xin (陸欣), Ms. Tan Qixia (譚綺霞) and Ms. Sha Lifei (沙麗飛)
“Exceltech Sale and Purchase Agreement”	the sale and purchase framework agreement dated 18 October 2023 entered into among the Company, Exceltech Food, Exceltech Global and Exceltech International in relation to the supply of the Products by the Group to Exceltech Food, Exceltech Global and Exceltech International for a period of three years commencing from 1 January 2024 to 31 December 2026
“Exceltech Food”	Exceltech Food Trading SDN. BHD. (formerly known as Exceltech Frozen SDN. BHD.), a limited liability company incorporated in Malaysia, which is owned as to 80% by Dato’ Sri Low
“Exceltech Global”	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 Dato’ Sri Low
“Exceltech International”	Exceltech International Trading SDN. BHD. (formerly known as Exceltech International SDN. BHD.), a limited liability company incorporated in Malaysia, which is owned as to 80% by Dato’ Sri Low
“Former Junye Sale and Purchase Agreement”	the sale and purchase framework agreement dated 16 October 2020 entered into between the Company and Wuzhou Junye, in relation to the purchase of packaging materials by the Group from Wuzhou Junye for a period of three years commenced from 1 January 2021 to 31 December 2023
“Former Exceltech Sale and Purchase Agreement”	the sale and purchase framework agreement dated 16 October 2020 entered into among the Company, Exceltech Food, Exceltech Global and Exceltech International for the supply of the Products by the Group to Exceltech Food, Exceltech Global and Exceltech International for a period of three years commenced from 1 January 2021 to 31 December 2023

“Former Zhiguan Framework Agreement”	the framework agreement dated 16 October 2020 entered into between the Company and Guangxi Zhiguan for the purchase of cattle skin and obtain cattle skin processing services by the Group from Guangxi Zhiguan for a period commenced from 1 January 2021 to 31 December 2023
“Former Zhongbo Sale and Purchase Agreement”	the sale and purchase framework agreement dated 16 October 2020 entered into between the Company and Wuzhou Zhongbo, in relation to the purchase of packaging materials by the Group from Wuzhou Zhongbo for a period of three years commenced from 1 January 2021 to 31 December 2023
“Group”	the Company and its subsidiaries
“Guangxi Zhiguan”	廣西志冠實業開發有限公司 (Guangxi Zhiguan Industrial Development Co., Limited*), a company established in the PRC with limited liability, which is owned as to 51% by Ms. Zhou
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee established by the Board, comprising all independent non-executive Directors
“Independent Financial Adviser” or “Grande Capital Limited	Grande Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	Shareholders who do not have to abstain from voting at the EGM in respect with (i) the Junye Sale and Purchase Agreement and the Zhongbo Sale and Purchase Agreement, and (ii) the Zhiguan Framework Agreement (as the case may be) under the Listing Rules
“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 framework agreement dated 18 October 2023 entered into between the Company and Wuzhou Junye, in relation to the purchase of packaging materials by the Group from Wuzhou Junye for a period of three years commencing from 1 January 2024 to 31 December 2026
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sha”	Mr. Sha Shuming (沙曙明先生), the spouse of Ms. Zhou
“Mr. Sha Junqi”	Mr. Sha Junqi (沙俊奇先生), an executive Director, the son of Mr. Sha and 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
“percentage ratios”	has the meaning as ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Products”	collagen sausage casing products, collagen piece facial mask, food and drink products and organic fertilizers
“Proposed Annual Caps”	the proposed annual caps for the annual amounts receivable or payable by the Group in the relevant financial periods for the respective Transaction(s) under the Exceltech Sale and Purchase Agreement, the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, or the Zhiguan Framework Agreement (as the case may be)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Transaction(s)”	the continuing connected transactions contemplated under the Exceltech Sale and Purchase Agreement, the Junye Sale and Purchase Agreement, the Zhongbo Sale and Purchase Agreement, and/or the Zhiguan Framework Agreement respectively (as the case may be)
“Wuzhou Junye”	廣西梧州駿業商標印刷有限公司 (Guangxi Wuzhou Junye Trademark Printing Material Co., Ltd.*), a company established in the PRC with limited liability, which is owned as to 99.2% by Mr. Sha and 0.8% by Mr. Sha Junqi
“Wuzhou Zhongbo”	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, which is owned as to 98.33% by Mr. Sha and 1.67% by Mr. Sha Junqi
“Zhiguan Framework Agreement”	the framework agreement dated 18 October 2023 entered into between the Company and Guangxi Zhiguan, in relation to the purchase of cattle skin and obtain cattle skin processing services by the Group from Guangxi Zhiguan for a period of three years commencing from 1 January 2024 to 31 December 2026
“Zhongbo Sale and Purchase Agreement”	the sale and purchase framework agreement dated 18 October 2023 entered into between the Company and Wuzhou Zhongbo, in relation to the purchase of packaging materials by the Group from Wuzhou Zhongbo for a period of three years commencing from 1 January 2024 to 31 December 2026
“%”	per cent

* For identification purpose only

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

Hong Kong, 18 October 2023

As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Mr. Ru Xiquan, Mr. Mo Yunxi, Mr. Sha Junqi and Mr. Li Chenglin; 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. Zhou Xiaoxiong.