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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)

**PLACING OF NON-LISTED WARRANTS
UNDER GENERAL MANDATE**

Placing Agent



China Investment Securities International Brokerage Limited

THE WARRANT PLACING AGREEMENT

On 12 February 2015 (after trading hours), the Company entered into the Warrant Placing Agreement with the Placing Agent in connection with the Warrant Placing, pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 160,000,000 Warrants conferring rights to subscribe for up to 160,000,000 Warrants Shares at the Warrant Exercise Price of HK\$3.00 per Warrant Share (subject to adjustment) to not less than six (6) Warrant Placees who and their respective ultimate beneficial owners are Independent Third Parties. Each Warrant carries the right to subscribe for one (1) Warrant Share.

The Warrants are to be placed at HK\$0.001 each. The Warrant Placing is conditional upon several conditions as set out in the paragraph headed “Conditions of the Warrant Placing” in the section headed “The Warrant Placing Agreement” in this announcement.

The Warrant Shares will be allotted and issued under the General Mandate.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Shareholders and potential investors should note that completion of the Warrant Placing Agreement is subject to the fulfilment of the conditions thereunder. As the Warrant Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

USE OF PROCEEDS

It is expected that the gross proceeds of HK\$160,000 will be raised by the Warrant Placing and the same will be utilised by the Group as the placing commission and other professional fees incurred in the Warrant Placing.

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that further funds of up to HK\$480 million will be raised. The net proceeds of up to approximately HK\$479.5 million (with an average net subscription price of approximately HK\$2.997 per Warrant Share) will be used for general working capital and for any possible business development or investment of the Group when appropriate opportunities arise.

THE WARRANT PLACING AGREEMENT

Date

12 February 2015 (after trading hours)

Issuer

The Company

Placing Agent

China Investment Securities International Brokerage Limited.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates and are not connected persons of the Company.

The Placing Agent will charge the Company a fixed placing commission of HK\$100,000 (subject to completion of the Warrant Placing) plus any other out-of-pocket charges and expenses incurred by the Placing Agent in relation to the Warrant Placing. The Warrant Placing commission was negotiated on arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Warrant Placing, including the Warrant Placing commission, are fair and reasonable based on the current market conditions and the Warrant Placing is in the interests of the Company and the Shareholders as a whole.

Warrant Placees

The Placing Agent will procure the Warrant Placees (the number of which is expected to be no less than six) to subscribe for up to 160,000,000 Warrants on a best effort basis. Each of the Warrant Placees or their respective ultimate beneficial owners will be an Independent Third Party prior to and immediately after the completion of the Warrant Placing. In the event that there will be less than six Warrant Placees, the Company will make further announcement in accordance with the Listing Rules requirements.

Number of Warrants

Up to 160,000,000 Warrants

Warrant Placing Price

The Warrant Placing Price is HK\$0.001 for each Warrant.

Warrant Exercise Price

The Warrant Exercise Price is HK\$3.00 per Warrant Share (subject to the adjustment based on the prescribed formulae as set out in the Instrument) and represents (i) a premium of approximately 31.00% over the closing price of HK\$2.29 per Share quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 33.93% over the average of the closing prices of HK\$2.24 per Share for the last five trading days for the Shares immediately prior to (but excluding) the Last Trading Day; and (iii) a premium of approximately 35.14% over the average of the closing prices of HK\$2.22 per Share of the last ten trading days for the Shares immediately prior to (but excluding) the Last Trading Day.

The aggregate of the Warrant Placing Price and the Warrant Exercise Price, i.e. HK\$3.001, represents (i) a premium of approximately 31.05% over the closing price of HK\$2.29 per Share quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 33.97% over the average of the closing prices of HK\$2.24 per Share for the last five trading days for the Shares immediately prior to (but excluding) the Last Trading Day; and (iii) a premium of approximately 35.18% over the average of the closing prices of HK\$2.22 per Share of the last ten trading days for the Shares immediately prior to (but excluding) the Last Trading Day.

The Warrant Placing Price and the Warrant Exercise Price are determined based on negotiations on arm's length basis between the Company and the Placing Agent with reference to the historical Share price. The Directors consider that the Warrant Placing Price and the Warrant Exercise Price are fair and reasonable, and are in the interests of the Company and shareholders as a whole.

Information of the Warrants

The Warrants will be allotted and issued to the Warrant Placees upon completion of the Warrant Placing in registered form and constituted by a deed poll. Each of the Warrants will rank pari passu in all respects among themselves.

Each one (1) Warrant carries the right to subscribe for one (1) Warrant Share at the Warrant Exercise Price and is allotted and issued at the Warrant Placing Price. The subscription rights attaching to the Warrant may be exercised at any time during a period of 48 months commencing from the date of issue of the Warrant. The Warrant Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares.

Assuming a total of 160,000,000 Warrants are placed out and are proposed to be allotted and issued, upon full exercise of the subscription rights attaching to the Warrants, a total of up to 160,000,000 Warrant Shares will be allotted and issued, representing (i) approximately 4.86% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.64% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants assuming there being no other changes in the share capital of the Company.

Transferability

The Warrants are not transferable at any time during a period of 12 months commencing from the date of issue of the Warrant. Afterwards, the Warrants are transferable in integral multiples of 500,000 Warrants with prior written approval from the Company will be obtained. The Company undertakes to comply with the relevant Listing Rules and to make necessary announcement(s), where appropriate, if and when any of the Warrant Placees make any transfer of the Warrants to other parties requiring disclosure under the Listing Rules.

Termination of the Warrant Placing Agreement

The Placing Agent shall be entitled by notice in writing to the Company given prior to the completion date of the Warrant Placing to terminate the Warrant Placing Agreement if there develops, occurs or comes into force:

- (i) any significant change in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the reasonable opinion of the Placing Agent has or may have a material adverse effect on the Warrant Placing; or
- (ii) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or financial condition or prospects of the Group as a whole; or

- (iii) any material breach of any of the representations and warranties given by the Company;
or
- (iv) there is any adverse change in the business or in the financial or trading position of the Group taken as a whole which being unaware of by the Placing Agent and in the reasonable opinion of the Placing Agent and in its reasonable discretion is material in the context of the Warrant Placing;

then and in any such case, the Placing Agent may, in its absolute and sole discretion, terminate the Warrant Placing Agreement without liability to the Company or any other party by giving notice in writing to the Company.

If the Warrant Placing Agreement is so terminated, all obligations of each party under the Warrant Placing Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the Warrant Placing Agreement except for any antecedent breach of any obligation mentioned in the Warrant Placing Agreement.

Conditions of the Warrant Placing

Completion of the Warrant Placing Agreement is conditional on, among the other matters, the fulfillment of the following conditions on or before 26 February 2015 (or such later date as the Placing Agent and the Company shall agree in writing):

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Warrant Shares;
- (ii) all necessary approval in respect of the Warrant Placing having been obtained;
- (iii) all representations and warranties given by the Company remaining true and correct; and
- (iv) all representations and warranties given by the Placing Agent remaining true and correct.

In the event that the above conditions are not fulfilled or waived (for conditions (iii) and (iv) above) by 5:00 p.m. on 26 February 2015 or such later date as may be agreed between the Company and the Placing Agent, the Warrant Placing Agreement will lapse and become null and void and the parties shall be released from all obligations thereunder, save for the liabilities for any antecedent breaches thereof.

Completion of the Warrant Placing is expected to take place on any date falling on or before the sixth Business Day the date on which the conditions precedent to the Warrant Placing are fulfilled.

Voting rights for the holders of the Warrants

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Rights of the holders of the Warrants on the liquidation of the Company

If, however, at any time prior to the expiration of the Warrants and prior to their exercise, a dissolution, liquidation, or winding up of the Company shall be proposed, the Company shall give notice in writing of such event to the holders of the Warrant in accordance with conditions of the Warrants.

General Mandate to issue the Warrant Shares

The issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants is not subject to Shareholder's approval.

The Warrant Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 19 May 2014 subject to the limit of 664,824,000 Shares (representing 20% of the issued share capital of the Company as at 19 May 2014). Immediately before the date of the Warrant Placing Agreement, the General Mandate has not been utilized. The maximum number of 160,000,000 Warrant Shares, to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants, will utilise about 24.07% of the General Mandate.

Adjustment of Warrant Exercise Price

The Warrant Exercise Price and the number of Warrants shall from time to time be adjusted upon alteration to the nominal amount of each of the Shares in the event of consolidation or subdivision of Shares only.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE WARRANT PLACING

The Group is principally engaged in the manufacture and sale of edible collagen sausage casing products.

The Board considers that the Warrant Placing represents good opportunities to raise additional funds for the Company while broadening the Shareholder and capital base of the Company. In addition, the Warrants are not interest bearing and the Warrant Placing will not result in any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that will be raised upon completion of the Warrant Placing, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holder thereof during the subscription period of the Warrants.

In the event the Warrant Placees fully exercise their subscription rights attaching to the Warrants, further funds of up to HK\$480 million will be received to cater for future needs for its general working capital and for any possible business development or investment of the Group when appropriate opportunities arise.

In view of the above, the Board considers that the terms of the Warrant Placing are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

It is expected the gross proceeds of HK\$160,000 will be raised by the Warrant Placing and the same will be utilised by the Group as the placing commission and other professional fees incurred in the Warrant Placing.

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that further funds of up to HK\$480 million will be raised. The net proceeds of up to approximately HK\$479.5 million (with an average net subscription price of approximately HK\$2.997 per Warrant Share) will be used for general working capital and for any possible business development or investment of the Group when appropriate opportunities arise.

EQUITY FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company, the changes of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon exercise of the subscription rights attaching to the Warrants in full are as follows:

Shareholders	As at the date of this announcement		Immediately upon exercise of the subscription rights attaching to the Warrants in full	
	Number of issued Shares	Approximate Percentage	Number of issued Shares	Approximate Percentage
Zhou Yaxian (“Ms. Zhou”) (Note 1)	200,000	0.01%	200,000	0.01%
Shenguan Biology Science & Technology Investment Limited (“Hong Kong Shenguan”) (Note 1)	3,700,000	0.11%	3,700,000	0.11%
Xian Sheng Limited (“Xian Sheng”) (Note 1)	248,040,000	7.53%	248,040,000	7.18%
Rich Top Future Limited (“Rich Top”) (Note 1)	<u>1,908,240,000</u>	<u>57.97%</u>	<u>1,908,240,000</u>	<u>55.28%</u>
Ms. Zhou and her associates	<u>2,160,180,000</u>	<u>65.62%</u>	<u>2,160,180,000</u>	<u>62.58%</u>
Public Shareholders				
The Warrant Placees (Note 2)	–	–	160,000,000	4.64%
Other public Shareholders	<u>1,131,736,000</u>	<u>34.38%</u>	<u>1,131,736,000</u>	<u>32.78%</u>
Total:	<u>3,291,916,000</u>	<u>100%</u>	<u>3,451,916,000</u>	<u>100%</u>

Notes:

- Ms. Zhou, the beneficial owner of the entire issued share capital of Hong Kong Shenguan which holds 100% interest in Glories Site Limited, which in turn, holds approximately 65.45% interest in Rich Top Future, which beneficially holds 1,908,240,000 Shares. Hong Kong Shenguan also holds 100% interest in Xian Sheng which beneficially holds 248,040,000 Shares. In addition, Hong Kong Shenguan beneficially holds 3,700,000 Shares.
- The shareholding of the Warrant Placees only refers to the Warrants Shares which may be allotted and issued upon exercising of the subscription rights attaching to the Warrants, without taking into account any existing shareholdings of the Warrant Placees which they may have in the Company.

GENERAL

Shareholders and potential investors should note that completion of the Warrant Placing Agreement is subject to the fulfilment of the conditions thereunder. As the Warrant Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Shenguan Holdings (Group) Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 19 May 2014, pursuant to which a maximum of 664,824,000 new Shares may fall to be allotted and issued
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	parties which are not Connected Persons of the Company and are independent of the Company and its Connected Persons
“Instrument”	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Warrants, including the adjustment mechanisms of the initial subscription price for Shares

“Last Trading Day”	12 February 2015, being the last full trading day for the Shares immediately before the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Placing Agent”	China Investment Securities International Brokerage Limited, a licensed corporation to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s)”	up to 160,000,000 non-listed warrants to be allotted and issued by the Company at the Warrant Placing Price, each entitles the holder thereof to subscribe for one Warrant Share at the Warrant Exercise Price at any time during a period of 48 months commencing from the date of issue of the Warrants
“Warrant Exercise Price”	an initial exercise price of HK\$3.00 per Warrant Share (subject to adjustment) at which holder of the Warrants may subscribe for the Warrant Share(s)
“Warrant Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Warrants pursuant to the Warrant Placing Agreement
“Warrant Placing”	the placing, on a best effort basis, of up to 160,000,000 Warrants pursuant to the terms of the Warrant Placing Agreement
“Warrant Placing Agreement”	the conditional placing agreement dated 12 February 2015 and entered into between the Company and the Placing Agent in relation to the Warrant Placing

“Warrant Placing Price”	HK\$0.001 per Warrant, being the issue price for each Warrant, payable in full on application under the Warrant Placing Agreement
“Warrant Share(s)”	up to 160,000,000 new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants
%	per cent

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

Hong Kong, 12 February 2015

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