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凤祥食品

SHANDONG FENGXIANG CO., LTD.

山東鳳祥股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9977)

PROPOSED ISSUE OF H SHARES UNDER SPECIFIC MANDATE

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The Board announces that it has resolved to allot and issue not more than 300,000,000 New H Shares under the H Shares Issue to parties who would constitute the public shareholders of the Company at an issue price of not lower than HKD1.5132 per H Share.

The H Shares Issue will be made under the Specific Mandate as granted by the Shareholders' Meetings by way of non-public issue through subscription or placing in one or more tranches within a period of 12 months since the date of the resolution in relation to the Specific Mandate being approved by the Shareholders at the Shareholders' Meetings.

Assuming the maximum of 300,000,000 New H Shares are allotted and issued by the Company under the Specific Mandate, such New H Shares represent approximately 84.51% and 21.43% of the total number of H Shares in issue and the total number of Shares in issue as at the date of this announcement, respectively, and approximately 45.80% and 17.65% of the enlarged total number of H Shares in issue and the enlarged total number of Shares in issue after the H Shares Issue, respectively.

GENERAL

A supplemental circular containing, among other things, details of the H Shares Issue under Specific Mandate, together with supplemental notice of the AGM and the notices of the Class Meetings, will be despatched to the Shareholders on or before 5 May 2023.

Shareholders and potential investors should be aware that the H Shares Issue is subject to the approval at the Shareholders' Meetings and by the regulatory institutions (including but not limited to the Stock Exchange), as well as various factors including market conditions. Therefore, the H Shares Issue may or may not proceed. Accordingly, you are advised to exercise caution when dealing in the Shares.

PROPOSED ISSUE OF H SHARES UNDER SPECIFIC MANDATE

Basic Information of the H Shares Issue under Specific Mandate

1. *Number of H Shares to be issued*

The number of New H Shares proposed to be issued shall be no more than 300,000,000 H Shares (inclusive). The actual number of New H Shares to be issued shall be determined by the Board as authorised by the Shareholders' Meetings according to market conditions and the Listing Rules.

As at the date of this announcement, the total number of issued shares of the Company is 1,400,000,000 Shares, comprising 355,000,000 H Shares and 1,045,000,000 Domestic Shares, representing 25.36% and 74.64% of the total issued share capital of the Company, respectively. Assuming the maximum of 300,000,000 New H Shares are allotted and issued by the Company under the Specific Mandate, such New H Shares represent approximately 84.51% and 21.43% of the total number of H Shares in issue and the total number of Shares in issue as at the date of this announcement, respectively, and approximately 45.80% and 17.65% of the enlarged total number of H Shares in issue and the enlarged total number of Shares in issue after the H Shares Issue, respectively.

2. *Type of the Shares to be issued*

The New H Shares are the ordinary shares with a nominal value of RMB1.00 each. Unless otherwise stated in the applicable laws and rules and the Articles of Association, all the New H Shares will rank *pari passu* with all other H Shares as at the date of the H Shares Issue in all respects upon issue and being paid up.

3. *Method and timing of issue*

The H Shares Issue will be made under the Specific Mandate as granted by the Shareholders' Meetings by way of non-public issue through subscription or placing in one or more tranches within a period of 12 months since the date of the resolution in relation to the Specific Mandate being approved by the Shareholders at the Shareholders' Meetings. After the New H Shares are issued and listed on

the Stock Exchange, the Company will file with the regulatory authorities in the PRC in accordance with the relevant applicable laws and regulations, including the filing with the CSRC.

4. *Target subscribers/placee(s)*

The New H Shares will be placed to professional, institutional or other investors independent of and not connected with the Company, the connected persons of the Company and their respective associates, and who and whose ultimate beneficial owner(s) (if applicable) are Independent Third Parties. Upon completion of the H Shares Issue, it is expected that none of the subscribers/placees will become a substantial shareholder (within the meaning of the Listing Rules) of the Company.

As at the date of this announcement, the Company had not yet identified any subscriber(s) or formally engaged any placing agent(s), nor had it entered into any definitive agreement(s), for the H Shares Issue. The Company will make further announcement(s) upon entering into any definitive agreement(s) with subscriber(s) and/or placing agent(s) in connection with the H Shares Issue where appropriate or as required under the Listing Rules.

5. *Method of pricing*

The Board has resolved that the issue price will be not lower than HKD1.5132 per H Share, which represents:

- (i) a discount of approximately 0.45% to the closing price of HKD1.52 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.61% to the average closing price of HKD1.504 per H Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 0.75% to the average closing price of HKD1.502 per H Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 32.41% to the consolidated net asset value per Share of approximately RMB1.87 (equivalent to approximately HKD2.24) based on a total of 1,400,000,000 Shares in issue as at 31 December 2022 and the audited consolidated net asset attributable to shareholders of the Company of approximately RMB2,612.0 million as at 31 December 2022.

The minimum issue price of the New H Shares is determined by the Board after taking into account (i) the interests of the existing Shareholders given the mandatory general offer for all the issued domestic shares and H shares of the

Company was only completed recently, and it is sensible to maintain a reasonable figure not lower than the offer price; and (ii) with reference to the capital market conditions including investors' willingness and capabilities for making investments, and the prevailing valuations of comparable companies listed on other stock exchange.

The Company considers the minimum issue price of HKD1.5132 per H share to be fair and reasonable, and attractive to the potential investors based on the above price determination factors; in particular, such issue price implies a price-to-book value ratio of 0.68x, based on the latest consolidated net asset value per Share attributable to the shareholders of the Company, which is lower than the average price-to-book value ratio of 2.19x as at 27 April 2023 of the two comparable companies, namely, Fujian Sunner Development Co., Ltd. (stock code: 002299.SZ) and Shandong Xiantan Co., Ltd. (stock code: 002746.SZ), both of which are primarily engaged in the breeding and processing of poultry in China and listed companies on the Shenzhen Stock Exchange.

The final issue price will be determined by the Board (or its authorised delegates) pursuant to the authorisation of the Shareholders' Meetings by reference to, including without limitation, (i) the offer price of the Offers; (ii) the then prevailing market conditions at the relevant time; (iii) the uncertainty of the then market volatility; and (iv) the arm's length negotiation between the Company and the subscriber(s) and/or the placing agent(s). The issue price shall be payable by the subscriber(s)/placee(s) in cash. The Board will make announcement upon the final issue price for each tranche of the H Shares Issue is determined.

Based on the maximum number of the New H Shares to be issued under the H Shares Issue and the issue price of HKD1.5132 per H Share, the H Shares Issue would result in a theoretical dilution effect of 0.08%. The Company shall not undertake the H Shares Issue if it would result in a theoretical dilution effect of 25% or more as required under Rule 7.27B of the Listing Rules.

6. *Use of proceeds*

Assuming the New H Shares are issued at HKD1.5132 per Share, the gross proceeds from the H Shares Issue will be HKD453,960,000 (equivalent to approximately RMB378,300,000). 70% of the net proceeds from the H Shares Issue after deduction of expenses should be used to repay short-term borrowings of the Group with maturity dates within six months and 12 months from the date of this announcement. The short-term borrowings of the Group amounted to RMB1.1 billion as at 31 December 2022. 30% of the net proceeds from the H Shares Issue after deduction of expenses are intended to replenish the working capital of the Company, which will mainly cover the operation costs and expenses

of the Company, such as costs of animal feeds, costs of accessory food for the development of processed chicken meat products, and environmental-related costs. The net proceeds are expected to be utilised in the coming 12 months.

7. *Validity period of the resolution for the Specific Mandate*

The resolution for the Specific Mandate will be valid for 12 months since the date of approval of such resolution at the Shareholders' Meetings. The Board should carry out the H Shares Issue within the validity period of the Specific Mandate in one or more tranches. The Board may propose to the Shareholders' Meetings for considering and approving (if thought fit) the extension of the validity period of the resolution in relation to the H Shares Issue based on actual conditions.

8. *Conditions for the H Shares Issue*

The H Shares Issue is conditional upon:

- (i) the grant of the proposed Specific Mandate by the Shareholders to the Board and the approval of the proposed issue of the New H Shares pursuant to the Specific Mandate having been obtained at the Shareholders' Meetings;
- (ii) the entering into of the subscription agreement(s)/placing agreement(s) between the Company and the subscriber(s)/placing agent(s) (as the case may be) and such subscription agreement(s)/placing agreement(s) (as the case may be) not being terminated in accordance with the terms therein; and
- (iii) the Listing Committee granting its approval of the listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the H Shares Issue and such approval not having been revoked or cancelled prior to the H Shares Issue.

The above conditions may not be waived by the Company and had not yet been satisfied as at the date of this announcement.

9. *Accumulated profits before the H Shares Issue*

All the Shareholders will be entitled to share in the Company's accumulated undistributed profits retained prior to the H Shares Issue according to their respective shareholdings upon completion of the H Shares Issue.

10. *Application for listing*

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the New H Shares on the Stock Exchange. The New H Shares will not be listed or traded on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or proposed to be sought.

11. *Amendments to the Articles of Association*

The Board will seek the Shareholders' authorisation at the Shareholders' Meetings to amend the registered capital and shareholding structure of the Company stated in the Articles of Association in accordance with the actual results of the H Shares Issue and deal with the relevant registration and filing procedures with the relevant industry and commerce administration authorities.

12. *Other relevant authorisation*

The Board will seek the Shareholders' authorisation at the Shareholders' Meetings to deal with all the matters with full authority in relation to the H Shares Issue under the framework and principles and within the validity period of the resolution on the H Shares Issue under Specific Mandate. Such matters include but are not limited to:

- (i) within the scope permitted under the laws, regulations and other regulatory documents and the Articles of Association, based on the requirements of domestic and overseas regulatory bodies and the Stock Exchange, to make necessary adjustments and supplements to the plan of the H Shares Issue, and to formulate and implement the final plan of the H Shares Issue in light of the actual circumstances of the Company;
- (ii) to approve and amend, supplement, sign, submit, present, and execute all the agreements, contracts and other documents regarding the H Shares Issue on behalf of the Company; and
- (iii) to exercise the full power to handle all other relevant matters relating to the H Shares Issue.

The authorisation period of the above authorised matters to be continued or implemented after the completion of the H Shares Issue commences from the date of grant of the Specific Mandate by the Shareholders' Meetings and ends on the date of completion of the relevant matters.

Reasons for and benefits of the H Shares Issue

Immediately following the close of the Offers, taking into account the valid acceptances, the Offeror and the parties acting in concert with it are interested in a total of 1,210,640,005 Shares (comprising 992,854,500 Domestic Shares and 217,785,505 H Shares), representing approximately 86.47% of the issued Shares as at the date of the close of Offers (i.e. 1 February 2023). Accordingly, the minimum public float requirement of 25% of the Shares as set out in Rule 8.08(1)(a) of the Listing Rules is not satisfied as at the date of the close of Offers and trading in the H Shares of the Company has been suspended with effect from 9:00 a.m. on 2 February

2023 at the request of the Company since the percentage of public float fell below 15% following the close of the Offers. Although the Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules for a period from 1 February 2023 to 31 August 2023, the Board proposed the H Shares Issue, subject to the Specific Mandate being approved by the Shareholders at the Shareholders' Meetings, in order to restore its public float and resume the trading in H Shares as soon as practicable.

Both (a) the directors of Falcon Holding GP Limited (being the general partner of the Offeror), for and on behalf of the Offeror, and (b) the Directors, have undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which included issue of the New H Shares by the Company, to ensure the minimum percentage of the Shares as required under Rule 8.08(1)(a) of the Listing Rules to the public. As such, the Board resolved that, according to the provisions of the Articles of Association, the Company proposed to allot and issue not more than 300,000,000 New H Shares to parties who would constitute the public shareholders of the Company, representing 21.43% of the total number of Shares in issue of the Company as at the date of this announcement. Subject to the approval of the Shareholders, the H Shares Issue will proceed under the Specific Mandate.

The net proceeds from the H Shares Issue after deduction of expenses is expected to be used to improve the Company's liquidity position by way of repaying short-term borrowings of the Group, which amounted to approximately RMB1.1 billion as at 31 December 2022, and to replenish the working capital of the Company. Therefore, the Directors consider that the H Shares Issue is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Effect on Shareholding Structure of the Company

As at the date of this announcement, the total number of issued shares of the Company is 1,400,000,000 Shares, comprising 355,000,000 H shares and 1,045,000,000 Domestic Shares.

Assuming the number of H Shares to be issued is 300,000,000 and there are no other changes in the issued share capital of the Company, set out below is the shareholding structure of the Company: (i) as at the date of this announcement, and (ii) immediately after the completion of the H Shares Issue:

Class of Shares	As at the date of this announcement		Immediately upon Completion of the H Shares Issue	
	Number of Shares	%	Number of Shares	%
Domestic Shares				
— Falcon Holding LP	992,854,500	70.92	992,854,500	58.40
— Other holders of Domestic Shares	<u>52,145,500</u>	<u>3.72</u>	<u>52,145,500</u>	<u>3.07</u>
Total Domestic Shares	<u>1,045,000,000</u>	<u>74.64</u>	<u>1,045,000,000</u>	<u>61.47</u>
H Shares				
— Proposed subscriber(s)/placee(s)	—	—	300,000,000	17.65
— Falcon Holding LP	217,785,505	15.56	217,785,505	12.81
— Xiao Dongsheng (<i>Note 1</i>)	240,000	0.02	240,000	0.01
— Shi Lei (<i>Note 1</i>)	80,000	0.01	80,000	0.00
— 2020 SAS Trustee (<i>Note 2</i>)	495,000	0.04	495,000	0.03
— 2021 SAS Trustee (<i>Note 2</i>)	21,133,000	1.51	21,133,000	1.24
— Other public holders of H Shares	<u>115,266,495</u>	<u>8.22</u>	<u>115,266,495</u>	<u>6.78</u>
Total H Shares	<u>355,000,000</u>	<u>25.36</u>	<u>655,000,000</u>	<u>38.53</u>
Total issued Shares:	<u>1,400,000,000</u>	<u>100.00</u>	<u>1,700,000,000</u>	<u>100.00</u>

Notes:

- (1) A Director as at the date of this announcement.
- (2) Among such H Shares held by the 2020 SAS Trustee and 2021 SAS Trustee for the purposes of the 2020 Share Award Scheme and 2021 Share Award Scheme respectively, as at the date of this announcement, Mr. Xiao Dongsheng and Mr. Shi Lei (each a Director as at the date of this announcement) have been granted 2,976,000 and 506,000 awarded shares respectively (representing approximately 0.21% and 0.04% of all the issued Shares), all of which have not yet been vested.
- (3) The aggregate percentage may not sum to total due to rounding.

IMPLICATIONS UNDER THE LISTING RULES

The Board will submit the proposal in relation to the H Shares Issue under the Specific Mandate to the AGM and convene the Class Meetings for the Shareholders to consider and approve the same by way of a special resolution in accordance with the relevant provisions in the Articles of Association and the Listing Rules. Pursuant to Rule 17.05A of the Listing Rules, the trustee holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. Nevertheless, pursuant to the respective trust deeds, the 2020 SAS Trustee and the 2021 SAS Trustee shall not exercise the voting rights attached to the Shares held by them. As at the date of this announcement, to the best of the Board's knowledge, information and belief, having made all reasonable enquiries, no Shareholders are required to abstain from voting on the special resolution to be proposed at the Shareholders' Meetings.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activity in the 12 months preceding the date of this announcement.

GENERAL

A supplemental circular containing, among other things, details of the H Shares Issue under Specific Mandate, together with supplemental notice of the AGM and the notices of the Class Meetings, will be despatched to the Shareholders on or before 5 May 2023.

Shareholders and potential investors should be aware that the H Shares Issue is subject to the approval at the Shareholders' Meetings and by the regulatory institutions (including but not limited to the Stock Exchange), as well as various factors including market conditions. Therefore, the H Shares Issue may or may not proceed. Accordingly, you are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following expression in this announcement shall have the following meanings:

“2020 SAS Trustee”	Bank of Communications Trustee Limited, the trustee of the 2020 Share Award Scheme for the time being
“2021 SAS Trustee”	Futu Trustee Limited, the trustee of the 2021 Share Award Scheme for the time being
“2020 Share Award Scheme”	the share award scheme of the Company adopted on 4 June 2020 and effective on the listing date of the Company
“2021 Share Award Scheme”	the share award scheme of the Company adopted on 10 December 2021 and effective on the same date
“AGM”	the annual general meeting of the Company to be held as originally scheduled at 2nd Floor, Fengxiang Food Research and Technology Centre, Yanggu County, Liaocheng City, Shandong Province, the PRC on Friday, 19 May 2023 at 9:00 a.m., or any adjournment thereof
“Articles of Association”	the articles of association of the Company (as amended, modified or otherwise supplemented from time to time)
“Board”	the board of Directors
“Class Meetings”	the H Share Class Meeting and the Domestic Share Class Meeting
“Company”	Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司), a joint stock company established in the PRC with limited liability on 17 December 2010, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 9977)
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules

“CSRC”	the China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Domestic Share Class Meeting”	the 2023 first class meeting of the holders of Domestic Shares to be held for the purposes of approving, among other things, the H Shares Issue under the Specific Mandate
“Domestic Share Offer”	the offer to be made by the Offeror in accordance with the Takeovers Code for the Domestic Shares (other than those already owned or agreed to be acquired by the Offeror)
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD and listed on the Stock Exchange
“H Share Class Meeting”	the 2023 second class meeting of the holders of H Shares to be held for the purposes of approving, among other things, the H Shares Issue under the Specific Mandate
“H Share Offer”	the unconditional mandatory cash offer made by CMB International Capital Limited, for and on behalf of the Offeror, for all the H Shares (other than those already owned or agreed to be acquired by the Offeror) in accordance with the Takeovers Code
“H Shares Issue”	the proposed issue of not more than 300,000,000 New H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKD”	the lawful currency of Hong Kong

“Independent Third Party(ies)”	third party(ies) independent of, not connected or acting in concert (as defined in the Takeovers Code) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and any of their respective associates
“Last Trading Day”	1 February 2023, being the last trading day prior to the suspension of trading of the H Shares on the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New H Shares”	new H Shares to be allotted and issued under the H Shares Issue pursuant to the Specific Mandate
“Offer(s)”	the H Share Offer and/or Domestic Share Offer
“Offeror”	Falcon Holding LP, a limited partnership formed in the Cayman Islands and having its registered office at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, KY1-1106, Cayman Islands, the controlling shareholder of the Company
“PRC”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	the lawful currency of the PRC
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	the registered holder(s) of the Shares
“Shareholders’ Meetings”	the AGM and the Class Meetings
“Specific Mandate”	the specific mandate proposed to be granted by the Shareholders to the Board at the Shareholders’ Meetings in respect of the H Shares Issue

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“%”	per cent

By order of the Board
Shandong Fengxiang Co., Ltd.
Zhu Lingjie
Chairman

Shandong, the PRC, 3 May 2023

As at the date of this announcement, the Board comprises Mr. Xiao Dongsheng and Mr. Shi Lei as executive directors; Mr. Qiu Zhongwei, Mr. Lu Wei, Mr. Zhu Lingjie and Ms. Zhou Ruijia as non-executive directors; and Ms. Wang Anyi, Ms. Zhao Yinglin and Mr. Chung Wai Man as independent non-executive directors.