

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers and the Delisting Resolution, this Composite Document or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong Fengxiang, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance, the meeting notices and proxy form(s) to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers.



凤祥食品

FALCON HOLDING LP

(limited partnership formed in the Cayman Islands)

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)

COMPOSITE DOCUMENT

- (1) UNCONDITIONAL MANDATORY CASH OFFER BY CMB INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF THE OFFEROR FOR ALL THE ISSUED H SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR);
 - (2) UNCONDITIONAL MANDATORY CASH OFFER BY THE OFFEROR FOR ALL THE ISSUED DOMESTIC SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR);
 - (3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF SHANDONG FENGXIANG;
 - (4) NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING OF SHANDONG FENGXIANG;
- AND
- (5) NOTICE OF THE 2023 FIRST H SHARE CLASS MEETING OF SHANDONG FENGXIANG

Financial adviser to the Offeror



Financial adviser to Shandong Fengxiang



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

This Composite Document is jointly issued by the Offeror and Shandong Fengxiang to the Shareholders. A letter from CMBI, containing, among other things, the terms of the Offers and the Delisting Resolution, is set out on pages 12 to 23 of this Composite Document. A letter from the Board is set out on pages 24 to 35 of this Composite Document. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offers and the Delisting Resolution is set out on pages 36 to 37 of this Composite Document. A letter from Gram Capital containing its advice to the Independent Board Committee in relation to the Offers and the Delisting Resolution is set out on pages 38 to 58 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the H Share Offer should be received by the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, 18 January 2023, being the First Closing Date, or such later date and time as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code. Acceptances of the Domestic Share Offer should be received by Shandong Fengxiang at Liumiao Village, Anle Town, Yanggu County, Liaocheng City, Shandong Province, the PRC by no later than 4:00 p.m. on Wednesday, 18 January 2023, being the First Closing Date, or such later date and time as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Independent Shareholders should note that the Record Date is Friday, 13 January 2023. Independent Shareholders who tender acceptances of their Shares after the Record Date will be eligible to vote for the Delisting Resolution. Independent Shareholders who tender acceptances of their Shares before the Record Date will not be eligible to vote for the Delisting Resolution.

The General Meeting convened to approve the Delisting Resolution (amongst other business) will be held at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC on Wednesday, 18 January 2023 and the H Share Class Meeting convened to approve the Delisting Resolution will be held at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC on Wednesday, 18 January 2023.

A notice of the General Meeting is set out in Appendix IV to this Composite Document and a notice of the H Share Class Meeting is set out in Appendix V to this Composite Document. A proxy form for each of the General Meeting and the H Share Class Meeting is enclosed with this Composite Document.

Whether or not you are able to attend the Shareholders Meetings or any adjournment thereof in person, you are requested to complete and return the enclosed proxy forms in accordance with the instructions printed thereon to the H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than twenty-four (24) hours before the time appointed for the Shareholders Meetings.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or the H Share Class Meeting (as the case may be) or any adjournment thereof, should you so wish. In the event that you attend and vote at the General Meeting or the H Share Class Meeting (as the case may be) or any adjournment thereof after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "8. Overseas Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each overseas Shareholders wishing to accept the Offers to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offers.

28 December 2022

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Any change to the timetable will be jointly announced by the Offeror and Shandong Fengxiang by way of announcement(s) as soon as possible.

Despatch date of this Composite Document and the accompanying Forms of Acceptance, the notices and proxy forms for the Shareholders Meetings and commencement date of the Offers⁽²⁾ Wednesday, 28 December 2022

Latest time for lodging transfers of the H Shares and the Domestic Shares in order to be entitled to attend and vote at the Shareholders Meetings 4:30 p.m., Thursday, 12 January 2023

Record Date for the determination of entitlements of the Shareholders to attend and vote at the Shareholders Meetings Friday, 13 January 2023

Announcement of the results of valid acceptances received for the Offers as at the Record Date Friday, 13 January 2023

Closure of the registers of Shandong Fengxiang for the determination of entitlements of the Shareholders to attend and vote at the Shareholders Meetings Friday, 13 January 2023
to Wednesday, 18 January 2023

Latest time for lodging proxy form(s) in respect of the General Meeting⁽³⁾ 9:00 a.m., Tuesday, 17 January 2023

Latest time for lodging proxy form(s) in respect of the H Share Class Meeting⁽³⁾ 9:00 a.m., Tuesday, 17 January 2023

General Meeting 9:00 a.m., Wednesday, 18 January 2023

H Share Class Meeting 10:00 a.m., Wednesday, 18 January 2023
(or immediately after the conclusion or adjournment of the General Meeting)

Announcement of the results of the Shareholders Meetings by 7:00 p.m., Wednesday, 18 January 2023

First Closing Date Wednesday, 18 January 2023

Latest time for acceptance of the Offers on the First Closing Date⁽⁵⁾⁽⁶⁾ 4:00 p.m., Wednesday, 18 January 2023

EXPECTED TIMETABLE

Announcement of the results of the Offers on
the First Closing Date by 7:00 p.m., Wednesday,
18 January 2023

Re-opening of the registers of Shandong Fengxiang Thursday, 19 January 2023

*Assuming the Delisting Resolution is approved and the Delisting Acceptance Condition is satisfied
on the First Closing Date:*

Last day of trading in the H Shares on the Stock Exchange Wednesday, 8 February 2023

Final Closing Date^(4a) Wednesday, 15 February 2023

Latest time for acceptance of the Offers on the final
Closing Date and closing of the Offers 4:00 p.m., Wednesday,
15 February 2023

Announcement of the results of the Offers on the final
Closing Date by 7:00 p.m., Wednesday,
15 February 2023

Expected time and date of withdrawal of the listing of
the H Shares from the Stock Exchange⁽⁷⁾ 4:00 p.m., Thursday,
16 February 2023

Latest date for posting of remittances for the amounts
due under the H Share Offer in respect of valid
acceptance received at or before the latest time for
acceptances of the Offers on the final Closing Date⁽⁸⁾⁽⁹⁾ Friday, 24 February 2023

*Assuming the Delisting Resolution is approved, the Delisting Acceptance Condition is not satisfied
on the First Closing Date:*

Latest time for the Delisting Acceptance Condition
being satisfied⁽¹⁰⁾ 4:00 p.m., Friday,
28 April 2023

Assuming the Delisting Resolution is not approved on the First Closing Date:

Final Closing Date^(4b) Wednesday, 1 February 2023

Latest time for acceptance of the Offers on the final
Closing Date and closing of the Offers 4:00 p.m., Wednesday,
1 February 2023

EXPECTED TIMETABLE

Announcement of the results of the Offers on the final

Closing Date..... by 7:00 p.m., Wednesday,
1 February 2023

Latest date for posting of remittances for the amounts due

under the H Share Offer in respect of valid acceptance

received at or before the latest time for acceptances of

the Offers on the final Closing Date⁽⁸⁾⁽⁹⁾ Friday, 10 February 2023

Notes:

- (1) Unless otherwise expressly stated, all references to dates and times contained in this Composite Document refer to Hong Kong dates and times.
- (2) Each of the H Share Offer and the Domestic Share Offer is made on Wednesday, 28 December 2022, the date of the posting of this Composite Document, and is capable of being accepted on and from that date.
- (3) The proxy form should be deposited with the H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by the time stated above, in order to be valid. Completion and return of a proxy form for the General Meeting and/or the H Share Class Meeting (as the case may be) will not preclude an Independent Shareholder from attending the General Meeting or the H Share Class Meeting (as the case may be) and voting in person if he/she/it so wishes and if such Independent Shareholder has notified Shandong Fengxiang not less than 24 hours in writing before the time appointed for any adjournment of the General Meeting or the H Share Class Meeting (as the case may be). In such event, the returned proxy form will be deemed to have been revoked.
- (4a) It is assumed that the Offeror has received valid acceptances of not less than 90% of the H Shares held by the Independent H Shareholders on the First Closing Date. In compliance with the note to Rule 2.2 and Rule 15.3 of the Takeovers Code, each of the H Share Offer and the Domestic Share Offer will be opened for acceptance for at least 28 days after the Offeror receives valid acceptances of 90% of the H Shares held by the Independent H Shareholders. The Offeror reserves the right to extend the H Share Offer and the Domestic Share Offer beyond this 28-day period. Written notice must be given to the H Shareholders or the Domestic Shareholders (as the case may be) who have not accepted the H Share Offer or the Domestic Share Offer (as the case may be) as of the First Closing Date.
- (4b) Assuming that the Delisting Resolution is not approved at any of the Shareholders Meetings on the First Closing Date, each of the H Share Offer and the Domestic Share Offer will be extended to Wednesday, 1 February 2023 (or any other date permitted under the Takeovers Code and by the Executive). In this case, the latest time for acceptance of the H Share Offer and the Domestic Share Offer and closing of the Offers would be on Wednesday, 1 February 2023 (or any other date permitted under the Takeovers Code and by the Executive). On the same day, announcement of the results of the H Share Offer and the Domestic Share Offer will be made.
- (5) Unless the H Share Offer and the Domestic Share Offer have been revised or extended, the latest time and date for acceptance of each of the H Share Offer and the Domestic Share Offer is 4:00 p.m. on the First Closing Date, being Wednesday, 18 January 2023. Please refer to Appendix I to this Composite Document for additional information on how to accept the H Share Offer and the Domestic Share Offer. Assuming the Delisting Resolution is approved at the Shareholders Meetings but the Delisting Acceptance Condition is not satisfied on the First Closing Date, the Offeror has the right to extend the Closing Date of the Offers but in any event, not later than Friday 28 April 2023, being the date falling 4 months from the posting of this Composite Document.
- (6) Beneficial owners of the H Shares who hold their H Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

EXPECTED TIMETABLE

- (7) It is currently expected that the withdrawal of listing of the H Shares from the Stock Exchange would take place at 4:00 p.m. on Thursday, 16 February 2023, subject to the Delisting Resolution being approved and satisfaction of the Delisting Acceptance Condition, and receipt of any regulatory approvals required for such delisting.
- (8) Pursuant to Rule 20.1 of the Takeovers Code, settlement in cash in respect of acceptances of the H Share Offer will be made within 7 business days (as defined under the Takeovers Code) following the date on which the H Shares are validly tendered for acceptance. Duly completed acceptance forms and the relevant documents of title in respect of such acceptance must be received by the H Share Registrar to render such acceptance of the H Share Offer complete and valid. Duly completed acceptance forms and the relevant documents in respect of such acceptance must be received by the Shandong Fengxiang to render such acceptance of the Domestic Share Offer complete and valid. Payment in respect of the H Shares tendered for acceptance and taken up by the Offeror under the H Share Offer (after, if applicable, deducting the seller's ad valorem stamp duty arising therefrom) will be posted by cheque to the H Shareholders, at their own risk. As settlement of consideration under the Domestic Share Offer is subject to certain transfer and foreign exchange registration formalities and procedures imposed by CSDC and the State Administration of Foreign Exchange in the PRC which are not within the control of the Offeror, settlement of the consideration in respect of acceptances received under the Domestic Share Offer will be made via wire transfer by the Offeror as soon as reasonably practicable within 7 business days following completion of such transfer and foreign exchange registration formalities imposed by CSDC and the State Administration of Foreign Exchange and the receipt of notice from the relevant Domestic Shareholder in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer Price. However, because (i) such transfer and foreign exchange registration formalities may only be initiated upon receipt of the duly completed acceptance with respect to the Domestic Share Offer, and are expected to take more than 7 business days to complete, and (ii) payment of consideration under Domestic Share Offer can only be made to the accepting Domestic Shareholders after completion of (a) the transfer of the Domestic Shares from the accepting Domestic Shareholders to the Offeror through CSDC, (b) the registration of the change of shareholding structure by Shandong Fengxiang with the relevant local branch of the State Administration of Foreign Exchange, and (c) the opening of a particular bank account by the accepting Domestic Shareholders for the purposes of receiving consideration under Domestic Share Offer, the Offeror will not be able to settle the consideration in respect of a duly completed acceptance received under the Domestic Share Offer within 7 business days following the date of receipt of such acceptance as required under Rule 20.1 of the Takeovers Code. As such, the Offeror has applied to the Executive for, and the Executive has indicated that a waiver from strict compliance with Rule 20.1 of the Takeovers Code for the Domestic Share Offer will be granted.
- (9) The latest time and date for acceptance of the H Share Offer, the latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances, the last day of trading of H Shares and voluntary withdrawal of listing of the H Shares will not take effect if there is a tropical cyclone warning signal number 8 above, or a "black" rainstorm warning, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the such relevant date. Instead, such relevant date will be rescheduled to the same time on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
- (10) Assuming that the Delisting Resolution is approved at the Shareholders Meetings, but the Delisting Acceptance Condition is not satisfied on the First Closing Date, the Offeror reserves the right to extend the H Share Offer and the Domestic Share Offer till Friday, 28 April 2023, being the date falling four (4) months from the posting of this Composite Document and the latest time for the Delisting Acceptance Condition to be satisfied pursuant to Rule 2.11 and Rule 15.6 of the Takeovers Code.

IMPORTANT NOTICES

NOTICE TO OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offers available to all Shareholders, including those with a registered address in a jurisdiction outside Hong Kong. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions.

The making of the Offers to persons not resident in Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. The overseas shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal or other professional advice. It is the responsibilities of the overseas shareholders who are not resident in Hong Kong and wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and the filing and payment of any transfer or other taxes due by such overseas shareholders in respect of such jurisdictions).

Any acceptance by Shareholders and beneficial owners of the Offers who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror, Shandong Fengxiang and their respective advisers that the local laws and regulatory requirements have been complied with. Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Based on the registers of members of Shandong Fengxiang as at the Latest Practicable Date, save for certain Domestic Shareholders who resided in the PRC, none of the other Shareholders is an overseas Shareholder.

Notice to U.S. Holders of H Shares

The H Share Offer will be made for the securities of a joint stock company incorporated in the People's Republic of China with limited liability and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States. In addition, U.S. holders of Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The H Share Offer will be extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO. Accordingly, the H Share Offer will be subject to Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

IMPORTANT NOTICES

The receipt of cash pursuant to the H Share Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of H Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the H Share Offer.

U.S. holders of H Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror and Shandong Fengxiang is located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. In addition, most of the assets of the Offeror and Shandong Fengxiang are located outside the United States. U.S. holders of H Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of H Shares may encounter difficulty effecting service of process within the United States upon the Offeror or Shandong Fengxiang or their respective officers or directors or compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, H Shares outside of the United States, other than pursuant to the H Share Offer, before or during the period in which the H Share Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law, including but not limited to the Takeovers Code, and is made outside the United States and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the websites of the SFC at <http://www.sfc.hk> and the Stock Exchange at www.hkexnews.hk.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise.

“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 Shandong Fengxiang adopted on 4 June 2020 and effective on the listing date of Shandong Fengxiang
“2021 Share Award Scheme”	the share award scheme of Shandong Fengxiang adopted on 10 December 2021
“Accounting Standards for Business Enterprises of the PRC”	Accounting Standard for Business Enterprises — Basic Standard issued by the Ministry of Finance of the PRC and respective specific accounting standards, application guidelines for accounting standards for business enterprises, interpretation for accounting standards for business enterprises, and other relevant regulations
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Acquisition”	the acquisition of the Sale Shares by the Offeror by way of the Auction and pursuant to the SPA
“Acquisition Consideration”	the consideration for the Sale Shares pursuant to the Auction and the SPA, being RMB1,372,279,100
“Administrator”	the administrator of the Judicial Restructuring of Xiangguang Copper and 18 other related companies (including the Vendors), being Junhe LLP (北京市君合律師事務所), as appointed by the People’s Court of Yanggu County, Shandong Province in the PRC
“Applicable RMB:HKD Exchange Rate”	the exchange rate of HK\$1.00 to RMB0.91343 (i.e. the median exchange rate on 28 October 2022, being the date of the Joint Announcement, as announced by the People’s Bank of China)
“associated companies”	has the meaning ascribed thereto in the Takeovers Code
“associates”	has the meaning ascribed thereto under the Takeovers Code or the Listing Rules, as the context requires

DEFINITIONS

“Auction”	the auction of the Sale Shares which took place between 9:00 a.m. on 15 October 2022 to 9:00 a.m. on 16 October 2022 through the Auction Platform
“Auction Platform”	the network platform of Alibaba Judicial Auction (https://sf.taobao.com/)
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	the closing date of the Offers, or if the Offers are revised or extended, any subsequent closing date(s) as may be determined by the Offeror and jointly announced by the Offeror and Shandong Fengxiang, with the consent of the Executive in accordance with the Takeovers Code
“CMBI”	CMB International Capital Limited, the financial adviser to the Offeror in respect of the Transactions. CMBI is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Composite Document”	this composite offer and response document combining the offer document issued by the Offeror and the offeree board circular issued by Shandong Fengxiang (together with the Form(s) of Acceptance and the proxy form(s)) in respect of the Offers and the Delisting Resolution in accordance with the Takeovers Code and the Listing Rules
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited and its competent subsidiary, branch or agent
“Delisting Acceptance Condition”	the receipt of valid acceptances of not less than 90% of the H Shares held by Independent H Shareholders

DEFINITIONS

“Delisting Resolution”	the resolution to be considered, and if thought fit, for approving the delisting of H Shares of Shandong Fengxiang from the Stock Exchange, which will not become effective until the end of the Offer Period in respect of the Offers if approved
“Director(s)”	director(s) of Shandong Fengxiang
“Domestic Share(s)”	the issued ordinary share(s) in the share capital of Shandong Fengxiang, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC nationals and/or PRC-incorporated entities
“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)
“Domestic Share Offer Price”	RMB1.3822 per Domestic Share in respect of the Domestic Share Offer
“Domestic Share Offer Transfer Fee”	in relation to an accepting Shareholder under the Domestic Share Offer, the transfer fee of RMB0.00050 per Domestic Share tendered by it payable to the CSDC (up to a maximum amount of RMB200,000 per transaction), which is payable by such accepting Shareholder and the Offeror to the CSDC in equal shares
“Domestic Shareholder(s)”	holder(s) of the Domestic Shares from time to time
“Encumbrances”	(i) any valid mortgage, pledge, charge, lien, rights of preemption, guarantee, trust arrangements or any other similar restriction on rights securing, or conferring any priority of payment in respect of, any obligation of any person, (ii) any valid lease, sub-lease, occupancy agreement or covenant granting a right of use or occupancy to any person, (iii) any valid proxy, power of attorney, voting trust agreement, beneficial interest, option, right of first offer or refusal or other transfer restriction in favour of any person and (iv) any adverse, legal and valid claim as to title, possession or use
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates

DEFINITIONS

“Fengxiang Group”	Shandong Fengxiang (Group) Co., Ltd. (山東鳳祥(集團)有限責任公司), a company established in the PRC with limited liability on 30 June 1994, a wholly-owned subsidiary of GMK Holdings
“Fengxiang Investment”	Shandong Fengxiang Investment Co., Ltd. (山東鳳祥投資有限公司), a company established in the PRC with limited liability on 15 September 2000, a wholly-owned subsidiary of GMK Holdings
“First Closing Date”	18 January 2023, being the first Closing Date of the Offers
“First Rule 3.7 Announcement”	the announcement dated 20 September 2022 made by Shandong Fengxiang pursuant to Rule 3.7 of the Takeovers Code in respect of the possible acquisition of Shares by the bidder which may lead to a change in control of Shandong Fengxiang and a mandatory general offer under Rule 26.1 of the Takeovers Code
“Form(s) of Acceptance”	the form(s) of acceptance and transfer of the Offer Shares in respect of the Offers, being the WHITE Form of Acceptance (in respect of the H Share Offer) and GREEN Form of Acceptance (in respect of the Domestic Share Offer)
“General Meeting”	the 2023 first extraordinary general meeting of Shandong Fengxiang to be held at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC at 9:00 a.m. on Wednesday, 18 January 2023 for the purpose of considering and if thought fit, approving the Delisting Resolution and any other business to be considered at the general meeting
“GMK Holdings”	GMK Holdings Group Co., Ltd. (新鳳祥控股集團有限責任公司), a company established in the PRC with limited liability on 29 October 2009, which is owned as to 51% by Mr. Liu Xuejing, 9% by Ms. Zhang Xiuying, 20% by Mr. Liu Zhiguang and 20% by Mr. Liu Zhiming respectively
“GREEN Form of Acceptance”	the GREEN form of acceptance and transfer in respect of the Domestic Share Offer accompanying this Composite Document
“Group”	Shandong Fengxiang and its subsidiaries

DEFINITIONS

“H Share(s)”	the issued overseas listed foreign Share(s) in the share capital of Shandong Fengxiang, with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD and listed on the Main Board of the Stock Exchange
“H Share Class Meeting”	the 2023 first class meeting of the H Shareholders of Shandong Fengxiang to be held at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC on Wednesday, 18 January 2023 at 10:00 a.m. or immediately after the conclusion of the General Meeting or any adjournment thereof (whichever is the later), for the purpose of considering and if thought fit, approving the Delisting Resolution
“H Share Offer”	the unconditional mandatory cash offer made by CMBI, 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 Share Offer Price”	HK\$1.5132 per H Share in respect of the H Share Offer
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholder(s)”	holder(s) of H Shares from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man as independent non-executive Directors, which is established pursuant to the Takeovers Code for the purpose of advising the Independent Shareholders as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers and how to vote in respect of the Delisting Resolution

DEFINITIONS

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 regulated activity under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee in respect of the Offers and the Delisting Resolution and, in particular, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers and how to vote in respect of the Delisting Resolution
“Independent H Shareholder(s)”	the H Shareholder(s) other than the Offeror and parties acting in concert with it
“Independent Shareholder(s)”	the Shareholder(s) other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 28 October 2022 jointly issued by Shandong Fengxiang and the Offeror, in relation to, among other things, the Acquisition, the Offers and the Delisting Resolution pursuant to Rule 3.5 of the Takeovers Code
“Judicial Restructuring”	the application for judicial restructuring filed against Xiangguang Copper with the Liaocheng Intermediate People’s Court, Shandong Province in the PRC by a creditor on 5 May 2022
“Last Trading Day”	14 October 2022, being the last trading day on which the H Shares were traded on the Stock Exchange prior to the issue and publication of the Joint Announcement
“Latest Practicable Date”	23 December 2022, being the latest practicable date prior to the issue of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Octal Capital”	Octal Capital Limited, the financial adviser to Shandong Fengxiang in respect of the Transactions. Octal Capital is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Offer(s)”	the H Share Offer and/or Domestic Share Offer
“Offer Domestic Share(s)”	the Domestic Share(s) subject to the Domestic Share Offer

DEFINITIONS

“Offer H Share(s)”	the H Share(s) subject to the H Share Offer
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing from 20 September 2022 (the date of the First Rule 3.7 Announcement), and up to and including the Closing Date, or such other time or date to which the Offeror may decide to extend the Offers in accordance with the Takeovers Code
“Offer Price”	the H Share Offer Price and/or the Domestic Share Offer Price
“Offer Share(s)”	all Shares that are not owned or agreed to be acquired by the Offeror and “Offer Share” means any of them
“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
“PAG”	PAG, formerly known as PAG Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 28 June 2010
“PAG Fund IV”	PAG Asia IV 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, being the sole limited partner of the Offeror as at the Latest Practicable Date
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Record Date”	13 January 2023, the record date of Shandong Fengxiang to identify Shareholders whose names appear on the register of members of Shandong Fengxiang, who are eligible to vote at the Shareholders Meetings
“Relevant Period”	the period beginning on 20 March 2022 (being the date falling six (6) months prior to the date of the First Rule 3.7 Announcement) and ending on the Latest Practicable Date, both dates inclusive
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sale Shares”	992,854,500 Domestic Shares in Shandong Fengxiang, representing approximately 70.92% of the total share capital of Shandong Fengxiang as at the Latest Practicable Date
“Sale Shares Transfer”	the registration of the Offeror as the holder of the Sale Shares
“Sale Shares Transfer Date”	the date on which the Securities Transfer Registration Confirmation issued by the CSDC in respect of the Sale Shares Transfer is obtained
“SAMR”	The State Administration for Market Regulations of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Fengxiang”	Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司) (stock code: 9977), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders Meeting(s)”	the General Meeting and/or the H Share Class Meeting
“SPA”	the share purchase agreement entered into between the Offeror, the Administrator and the Vendors, pursuant to which the Offeror has conditionally agreed to acquire, and the Administrator and the Vendors (being entities under the scope of the Judicial Restructuring and under the control of the Administrator) have conditionally agreed to sell, the Sale Shares, pursuant to the Auction and the terms and conditions of the SPA, as amended and restated by the Supplemental SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental SPA”	the supplemental agreement to the SPA dated 19 December 2022 entered into between the Offeror, the Administrator and the Vendors, pursuant to which the SPA was amended and restated, details of which are set out in the joint announcement dated 20 December 2022 jointly issued by Shandong Fengxiang and the Offeror

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong
“Transactions”	the Acquisition and the Offers
“United States” or “U.S.”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“Vendors”	GMK Holdings, Fengxiang Investment and Fengxiang Group
“WHITE Form of Acceptance”	the WHITE form of acceptance and transfer in respect of the H Share Offer accompanying this Composite Document
“Xiangguang Copper”	Yanggu Xiangguang Copper Co., Ltd. (陽穀祥光銅業有限公司), a subsidiary of GMK Holdings
“%”	per cent.

LETTER FROM CMBI

28 December 2022

To the Shareholders

Dear Sir or Madam,

- (1) UNCONDITIONAL MANDATORY CASH OFFER BY CMB INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF THE OFFEROR FOR ALL THE ISSUED H SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR);**
(2) UNCONDITIONAL MANDATORY CASH OFFER BY THE OFFEROR FOR ALL THE ISSUED DOMESTIC SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR); AND
(3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF SHANDONG FENGXIANG

INTRODUCTION

On 28 October 2022, the Offeror and Shandong Fengxiang jointly published the Joint Announcement in relation to the Acquisition. On 19 December 2022, the Offeror, the Administrator and the Vendors entered into the Supplemental SPA pursuant to which the SPA was amended and restated, details of which are set out in the joint announcement dated 20 December 2022 jointly issued by Shandong Fengxiang and the Offeror.

The Sale Shares Transfer took place on 20 December 2022. Following the Sale Shares Transfer and as at the Latest Practicable Date, the Offeror held an aggregate of 992,854,500 Domestic Shares in Shandong Fengxiang, representing approximately 70.92% of the total share capital or approximately 95.01% of all the issued Domestic Shares of Shandong Fengxiang.

Under Rule 26.1 of the Takeovers Code, upon the Sale Shares Transfer, the Offeror is required to make unconditional mandatory cash offers for all the issued Shares, other than those Shares already owned by or agreed to be acquired by the Offeror at the time. The Offers are unconditional in all respects.

This letter forms part of this Composite Document and sets out certain background information on the Offeror and the intention in relation to the Offeror.

Terms defined in this Composite Document have the same meaning when used in this letter.

LETTER FROM CMBI

1. MANDATORY UNCONDITIONAL CASH OFFERS

Principal terms of the Offers

The Offeror is making the Domestic Share Offer for all the Domestic Shares and CMBI, for and on behalf of the Offeror, are making the H Share Offer for all the H Shares (other than those already owned or agreed to be acquired by the Offeror), on the following basis:

For each H Share..... HK\$1.5132 in cash

For each Domestic Share..... RMB1.3822 in cash

The H Share Offer Price of HK\$1.5132 per Offer Share under the H Share Offer is equal to the price of RMB1.3822 per Sale Share, as translated into HKD based on the Applicable RMB:HKD Exchange Rate.

The Offers are extended to all Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offers shall be fully paid and free from all Encumbrances and together with all rights and benefits attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid by reference to a record date on or after the date on which the Offers are made, being the date of this Composite Document.

If any dividend, other distribution and/or other return of capital (whether in cash or in kind) is announced, declared, made or paid in respect of the Shares, the Offeror reserves the right to reduce the Offer Price by all or any part of the amount or value of such dividend, other distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. As at the Latest Practicable Date, Shandong Fengxiang does not have any declared and unpaid dividend and does not have any intention to announce, declare, make or pay any future dividend, other distribution or return of capital until the close of the Offers.

The H Share Offer Price and comparison of value

The H Share Offer Price of HK\$1.5132 per H Share or the Domestic Share Offer Price of RMB1.3822 per Domestic Share represents:

- (i) a discount of approximately 0.45% over the closing price of HK\$1.52 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 96.52% over the closing price of HK\$0.77 per H Share as quoted on the Stock Exchange on 16 September 2022, being the last trading day immediately preceding the date of the First Rule 3.7 Announcement;

LETTER FROM CMBI

- (iii) a premium of approximately 14.64% over the closing price of HK\$1.32 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a premium of approximately 18.22% over the average closing price of approximately HK\$1.28 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 32.74% over the average closing price of approximately HK\$1.14 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 54.41% over the average closing price of approximately HK\$0.98 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 59.28% over the average closing price of approximately HK\$0.95 per H Share as quoted on the Stock Exchange for the last 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a premium of approximately 36.32% over the average closing price of approximately HK\$1.11 per H Share as quoted on the Stock Exchange for the last 120 consecutive trading days immediately prior to and including the Last Trading Day;
- (ix) a premium of approximately 26.10% over the average closing price of approximately HK\$1.20 per H Share as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (x) a discount of approximately 41.58% to the unaudited consolidated net asset value per Share of Shandong Fengxiang of approximately RMB2.36 (equivalent to approximately HK\$2.59) per H Share as at 30 June 2022, based on a total of 1,400,000,000 Shares in issue as at 30 June 2022 and the Latest Practicable Date and the unaudited consolidated net asset attributable to shareholders of Shandong Fengxiang of approximately RMB3,307.9 million as at 30 June 2022; and
- (xi) a discount of approximately 43.11% to the audited consolidated net asset value per Share of Shandong Fengxiang of approximately RMB2.43 (equivalent to approximately HK\$2.66) per H Share as at 31 December 2021, based on a total of

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1,400,000,000 Shares in issue as at 31 December 2021 and the Latest Practicable Date and the audited consolidated net asset attributable to shareholders of Shandong Fengxiang of approximately RMB3,399.6 million as at 31 December 2021.

Highest and lowest share prices of H Shares

During the Relevant Period:

- (a) the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$1.54 per H Share on 22 December 2022; and
- (b) the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$0.71 per H Share on 29 March 2022.

Value of the Offers

Based on the issued share capital of Shandong Fengxiang as at the Latest Practicable Date, there will be 355,000,000 H Shares and 52,145,500 Domestic Shares subject to the H Share Offer and the Domestic Share Offer, respectively.

The H Share Offer is valued at HK\$537,186,000 based on the H Share Offer Price of HK\$1.5132 per H Share.

The Domestic Share Offer is valued at RMB72,075,510 based on the Domestic Share Offer Price of RMB1.3822 per Domestic Share.

Confirmation of financial resources

The maximum cash amount to be paid to the H Shareholders in respect of acceptances under the H Share Offer is approximately HK\$537,186,000, based on the H Share Offer Price of HK\$1.5132 per H Share and 355,000,000 H Shares.

The maximum cash amount to be paid to the Domestic Shareholders in respect of acceptances under the Domestic Share Offer is approximately RMB72,075,510, based on the Domestic Share Offer Price of RMB1.3822 per Domestic Share and 52,145,500 Domestic Shares.

The maximum total cash consideration payable for the Offers is approximately HK\$617,675,927 based on the exchange rate of RMB0.89546 to HK\$1.00, being the exchange rate of RMB against HK\$ as announced by the People's Bank of China on the Latest Practicable Date. The Offeror intends to finance the cash consideration required for the Offers with equity commitments from PAG Fund IV.

CMBI, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptances of the Offers.

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Effect of accepting the Offers

Provided that valid acceptance forms and the relevant certificate(s) and/or other document(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the H Share Registrar (in respect of the H Share Offer) or Shandong Fengxiang (in respect of the Domestic Share Offer), the Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights and benefits attaching to them, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offers are made, that is, the date of this Composite Document.

If any dividend, other distribution and/or other return of capital (whether in cash or in kind) is announced, declared, made or paid in respect of the Shares, the Offeror reserves the right to reduce the Offer Price by all or any part of the amount or value of such dividend, other distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. As at the Latest Practicable Date, Shandong Fengxiang does not have any declared and unpaid dividend and does not have any intention to announce, declare, make or pay any future dividend, other distribution or return of capital until the close of the Offers.

Acceptances of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Payment

Payment in cash in respect of acceptances of the H Share Offer will be made as soon as possible but in any event within 7 business days (as defined under the Takeovers Code) following the date on which the Offer Shares held by H Shareholders are validly tendered for acceptance of the H Share Offers. Duly completed and signed acceptance forms and the relevant documents of title in respect of such acceptance must be received by the H Share Registrar to render such acceptance of the H Share Offer complete and valid.

As settlement of consideration under the Domestic Share Offer is subject to certain transfer and foreign exchange registration formalities and procedures imposed by CSDC and the State Administration of Foreign Exchange in the PRC which are not within the control of the Offeror, settlement of the consideration in respect of acceptances received under the Domestic Share Offer will be made via wire transfer by the Offeror as soon as reasonably practicable within seven (7) business days following completion of such transfer and foreign exchange registration formalities imposed by CSDC and the State Administration of Foreign Exchange and the receipt of notice from the relevant Domestic Shareholder in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer Price. However, because (i) such transfer and foreign exchange registration formalities may only be initiated upon receipt of the duly completed acceptance with respect to the Domestic Share

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Offer, and are expected to take more than 7 business days to complete, and (ii) payment of consideration under Domestic Share Offer can only be made to the accepting Domestic Shareholders after completion of (a) the transfer of the Domestic Shares from the accepting Domestic Shareholders to the Offeror through CSDC, (b) the registration of the change of shareholding structure by Shandong Fengxiang with the relevant local branch of the State Administration of Foreign Exchange, and (c) the opening of a particular bank account by the accepting Domestic Shareholders for the purposes of receiving consideration under Domestic Share Offer, the Offeror will not be able to settle the consideration in respect of a duly completed acceptance received under the Domestic Share Offer within 7 business days following the date of receipt of such acceptance as required under Rule 20.1 of the Takeovers Code. As such, the Offeror has applied to the Executive for, and the Executive has indicated that a waiver from strict compliance with Rule 20.1 of the Takeovers Code for the Domestic Share Offer will be granted. Duly completed acceptance forms and the relevant documents in respect of such acceptance must be received by the Shandong Fengxiang to render such acceptance of the Domestic Share Offer complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offers will be rounded up to the nearest cent.

Hong Kong Stamp Duty

No Hong Kong stamp duty will arise on acceptance of the Domestic Share Offer. The seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the H Share Offer will be payable by the relevant Shareholders at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the H Share Offer, whichever is higher, and will be deducted from the amount payable to the relevant Shareholder on acceptance of the H Share Offer (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded-up to the nearest HK\$1.00). The Offeror will arrange for payment of the sellers' Hong Kong ad valorem stamp duty on behalf of accepting Shareholders and pay the buyer's Hong Kong ad valorem stamp duty in connection with such Offer Shares and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

PRC Stamp Duty

No PRC stamp duty will arise on acceptance of the H Share Offer. A PRC stamp duty arising in connection with acceptances of the Domestic Share Offer will be payable by the relevant Shareholders at a rate of 0.05% of the consideration in respect of the relevant acceptances of the Domestic Share Offer.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with the Offeror, Shandong Fengxiang, CMBI and their

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respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers. Each Shareholder who accepts the Offers shall warrant to the Offeror and Shandong Fengxiang that it/he/she shall make necessary filing and settle any income taxes in connection with its/his/her acceptance of the Offers in full amount and within the stipulated time period as required by applicable tax laws and regulations. Each Shareholder who accepts the Offers agrees to indemnify, defend and hold harmless the Offeror from any tax liabilities or tax withholding liabilities imposed under applicable tax laws and regulations upon the Offeror (if applicable), together with any interest, surcharges or penalties with respect thereto, to the extent arising from its/his/her failure to duly and timely make a filing for and pay the income taxes imposed on it/him/her in connection with its/his/her acceptance of the Offers.

Completion of the Offers

The Offers will initially be open for acceptances for 21 days from the date of this Composite Document. The First Closing Date is Wednesday, 18 January 2023 (or such later date in accordance with the requirements under the Takeovers Code). The Offeror may revise or extend the Offers in accordance with the Takeovers Code. The Offeror and Shandong Fengxiang will jointly issue an announcement through the websites of the Stock Exchange and their own company no later than 7:00 p.m. on Wednesday, 18 January 2023 stating whether the Offers have been revised or extended.

Assuming that the Delisting Resolution is not approved at any of the Shareholders Meetings on the First Closing Date, each of the H Share Offer and the Domestic Share Offer will be extended to Wednesday, 1 February 2023 (or any other date permitted under the Takeovers Code and by the Executive).

Assuming that the Delisting Resolution is approved and the Delisting Acceptance Condition is satisfied on the First Closing Date, the Offers will be extended to Wednesday, 15 February 2023 as each of the H Share Offer and the Domestic Share Offer shall remain open for acceptance for at least 28 days after the First Closing Date.

Assuming that the Delisting Resolution is approved at the Shareholders Meetings, but the Delisting Acceptance Condition is not satisfied on the First Closing Date, the Offeror reserves the right to extend the H Share Offer and the Domestic Share Offer till Friday, 28 April 2023, being the date falling four (4) months from the posting of this Composite Document and the latest time for the Delisting Acceptance Condition to be satisfied pursuant to Rule 2.11 and Rule 15.6 of the Takeovers Code.

Acceptance of the Offers tendered by the Independent Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in section headed “4. EFFECT OF ACCEPTANCE OF THE OFFERS AND RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

2. OFFEROR'S INTENTION AND PROPOSALS REGARDING THE LISTING STATUS OF SHANDONG FENGXIANG

Delisting Resolution

The Offeror proposes to delist Shandong Fengxiang from the Stock Exchange and accordingly Shandong Fengxiang has agreed to convene the Shareholders Meetings for the purpose of Independent Shareholders to consider and vote on the Delisting Resolution (amongst other business). If the Delisting Resolution is approved and assuming the Delisting Acceptance Condition is satisfied, it will not become effective until the close of the Offers (including the extension of at least 28 days following the satisfaction of the Delisting Acceptance Condition). The delisting proposal and notices of meeting in relation to the Delisting Resolution is set out as set out in Appendix IV and Appendix V to this Composite Document.

The Offeror, its associates and parties acting in concert with it shall abstain from voting on the Delisting Resolution.

Independent Shareholders should note that the Record Date is Friday, 13 January 2023. Independent Shareholders who tender acceptances of their Shares after the Record Date will be eligible to vote for the Delisting Resolution. Independent Shareholders who tender acceptances of their Shares before the Record Date will not be eligible to vote for the Delisting Resolution. The Shares tendered for acceptance by such Independent Shareholders will not count towards the total number of the H Shares held by Independent H Shareholders and/or the total number of the Shares held by the Independent Shareholders for the purpose of the Delisting Resolution.

The Offeror has applied to the Executive for, and the Executive has indicated that it will grant, a waiver from the requirements under Rule 2.2(c) of the Takeovers Code.

The Offeror has no rights under the laws of the PRC and the articles of association of Shandong Fengxiang to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Offer. Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Shares are delisted from the Stock Exchange, subject to the satisfaction of the requirements as set out in the paragraph headed "The Offeror's Intention and Delisting Resolution of Shandong Fengxiang" in the "Letter from the Board" of this Composite Document for the Delisting Resolution in accordance with Rule 2.2 of the Takeovers Code and the satisfaction of all other Listing Rules requirements, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, after the completion of the Offers, Shandong Fengxiang may or may not continue to be subject to the requirements under the Listing Rules, and may or may not continue to be subject to the Takeovers Code depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code.

LETTER FROM CMBI

Shandong Fengxiang will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 of the Listing Rules.

Independent Shareholders should also note that if they do not agree to the proposal relating to the Delisting Resolution, they can vote against the Delisting Resolution at the Shareholders Meetings. If more than 10% of the votes attaching to the H Shares held by Independent H Shareholders and/or more than 10% of the votes attaching to the Shares held by the Independent Shareholders voted against the Delisting Resolution, Shandong Fengxiang would remain listed on the Stock Exchange. For the avoidance of doubt, the Offers are not conditional on the approval of the Delisting Resolution.

In the event that the Delisting Resolution is not approved, or, if approved, the Delisting Acceptance Condition is not satisfied and the public float of Shandong Fengxiang falls below 25% following the close of the Offers, the directors of Falcon Holding GP Limited (being the general partner of the Offeror), for and on behalf of the Offeror, have undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which may include issuance of new Shares by Shandong Fengxiang or placing down part of the interest that the Offeror or its parties acting in concert with it hold in Shandong Fengxiang following the close of the Offers, to ensure the minimum percentage of the Shares as required under Rule 8.08(1)(a) of the Listing Rules to the public. To restore the public float by placing down, the Offeror may either directly dispose of, transfer, or engage a placing agent for placing of, the Shares held by the Offeror or its concert parties. Any new directors proposed to be appointed to the Board by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. Further announcement(s) regarding the restoration of public float will be made by Shandong Fengxiang as and when appropriate.

If, upon closing of the Offers, less than the minimum prescribed percentage applicable to Shandong Fengxiang, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the H Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the H Shares until the prescribed level of public float is restored.

Proposed Change of the Board

The Board is currently made up of nine Directors, comprising four executive Directors, being Mr. Liu Zhiguang, Mr. Xiao Dongsheng, Ms. Zhou Jinying and Mr. Shi Lei, two non-executive Directors, being Mr. Liu Xuejing and Mr. Zhang Chuanli, and three independent non-executive Directors, being Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man.

The Directors intend to retire from office of the Fourth Session of the Board and such retirements shall comply with the Takeovers Code, the Listing Rules, the articles of association of Shandong Fengxiang and other applicable laws. The Offeror intends to

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nominate new Directors to the Fifth Session of the Board subject to compliance with the Takeovers Code, the Listing Rules, the articles of association of Shandong Fengxiang and other applicable laws. The appointments of new Directors to the Board will be subject to the approval of the General Meeting. As at the Latest Practicable Date, the Offeror has not finalised who will be nominated as the new Directors. A separate circular (together with the proxy form(s)) will be despatched to the Shareholders setting out, amongst others, details of the proposed change of the Board, the ordinary resolutions for approving the proposed appointments of the new Directors, and their biographical details.

Save as disclosed above, the Offeror does not intend to implement any material changes to the Board.

Intentions of the Offeror regarding the business and employees of Shandong Fengxiang

The Offeror intends to substantially maintain Shandong Fengxiang's existing business and the Offeror does not have any plan to make any material changes to (1) the business of Shandong Fengxiang (including any redeployment of the fixed assets of Shandong Fengxiang), or (2) the continued employment of the operational employees of Shandong Fengxiang (other than in the ordinary course of business).

3. REASONS FOR AND BENEFITS OF THE OFFERS

The Offeror believes that the completion of Offers will bring stability to Shandong Fengxiang's shareholding base, which in turn will help stabilise its business, employee base and customer relationships. The Offeror believes that the completion of the Offers and the proposed delisting of H Shares would provide an opportunity for Shandong Fengxiang to deliver operational optimisation and further create shareholder value by (1) strengthening corporate governance, (2) leveraging the Offeror's technical and operational expertise to further improve operational efficiency of Shandong Fengxiang's operations; (3) actively supporting Shandong Fengxiang to strengthen and expand its relationship with key customers to tap into new markets and product categories; and (4) pursuing suitable strategic alliance or potential bolt-on acquisition opportunities to position Shandong Fengxiang for long term growth as a leading player in the food industry.

For the Independent Shareholders

The Offeror considers that the Offers and the proposed delisting of H Shares will provide an opportunity to Shareholders to realise their investment in Shandong Fengxiang at an attractive premium over the prevailing price of the Shares. The offer price of HK\$1.5132 per H Share or RMB1.3822 per Domestic Share represents a premium of approximately 35.11% to the average closing price of HK\$1.12 per H Share as quoted on the Stock Exchange for the six-month period up to and including the Last Trading Day or a premium of approximately 14.64% to the closing price of HK\$1.32 per H Share as quoted on the Stock Exchange on the Last Trading Day. The Offers and the proposed delisting of H Shares are also a unique opportunity for Shareholders to monetise their holdings in a low liquidity stock with average daily trading volume of approximately 406,920 H Shares per day, or 0.11% of the issued H

LETTER FROM CMBI

Shares per day, for the six-month period up to and including the Last Trading Day. The average daily trading volume was approximately 2,234,585 H Shares per day, or 0.63% of the issued H Shares per day, since Shandong Fengxiang's H Shares were listed in the Main Board of the Stock Exchange on 16 July 2020 and leading up to and including the Last Trading Day. The low trading liquidity of the H Shares makes it difficult for H Shareholders to sell their shareholdings in large volume on the secondary market without adversely affecting the price of the H Shares. In view of the above factors, the Offeror considers that the Offers and the proposed delisting of H Shares provide the Independent Shareholders with an opportunity to realise their investment in Shandong Fengxiang at a premium over the market price and without suffering any illiquidity discount.

For the Offeror and Shandong Fengxiang

Shandong Fengxiang has been operating in a very challenging environment. The net profit of the Group decreased from RMB151.6 million in 2020 to RMB47.1 million in 2021 by 69.0% primarily due to (i) the increase in the costs of animal feed due to the year-on-year increase in the price of raw materials such as corn and soybean meal; (ii) the increase in selling and marketing expenses as a result of the increase in resources invested by the Group in its new retail business; and (iii) the decrease in the selling prices of raw chicken meat products due to the impact of COVID-19 epidemic which led to a drop in the demand for such products. Although the Group managed to maintain its gross profit margin at 9.1% for the six months ended 30 June 2022 and the six months ended 30 June 2021, the Group experienced rising costs of animal feeds due to the period-on-period increase of 3.5% and 18.4% in corn and soybean meal prices. The continuous impact of the COVID-19 pandemic and the continuous high costs of animal feed, such as corn and soybean meal, remain to be the challenges and risk of Shandong Fengxiang.

The delisting of H Shares of Shandong Fengxiang from the Stock Exchange, if completed, will reduce the costs and management resources associated with the maintenance of the listing status of Shandong Fengxiang on the Stock Exchange and will provide Shandong Fengxiang with flexibility to pursue certain strategic alternatives, such as further expanding production capacities and sales and distribution network, diversifying product portfolio, and pursuing appropriate strategic alliances or joint ventures without having to focus on the short-term market reactions or regulatory requirements such as independent shareholders' approvals on transactions under Chapter 14 and 14A of the Listing Rules and compliance obligations arising from being a public company.

In the event of the delisting of H Shares of Shandong Fengxiang from the Stock Exchange is completed, the Offeror does not have any immediate plan to relist Shandong Fengxiang on other stock exchanges as at the Latest Practicable Date. However, the Offeror will continue, and will remain open to, evaluating different options which may strengthen Shandong Fengxiang's long term competitive edge and shareholder value. The Offeror believes that the terms of the Offers represent attractive value, with high certainty and speed, to the Shareholders.

LETTER FROM CMBI

4. INFORMATION ON THE OFFEROR

The Offeror is a limited partnership formed in the Cayman Islands. It is principally engaged in investment holding services.

The general partner of the Offeror is Falcon Holding GP Limited, being a company directly wholly-owned by PAG Capital Limited. As at the Latest Practicable Date, the sole limited partner of the Offeror is PAG Fund IV, whose general partner is PAG Asia Capital GP IV Limited, being a company directly wholly-owned by PAG Capital Limited. PAG Capital Limited is controlled by Pacific Alliance Group Limited, which is in turn wholly-owned by PAG. After the Latest Practicable Date, the Offeror may issue additional limited partnership interest to one or more co-investors, in exchange for an aggregate subscription amount from such co-investors of not more than 49% of the Offeror's payment obligations under the Offers. For the avoidance of doubt, after such issuance, the general partner of the Offeror will remain to be Falcon Holding GP Limited, which remains wholly-owned by PAG.

PAG is a leading investment firm founded by Mr. Weijian Shan, Mr. Christopher Marcus Gradel and Mr. Jon-Paul Toppino. It focuses on Asia and has three core strategies: Private Equity, Credit & Markets and Real Assets. Based in Asia, it has offices in all the major markets in Asia. As of 30 June 2022, PAG had more than USD50 billion in assets under management.

5. ADDITIONAL INFORMATION

In considering what action to take in connection with the Offers and the Delisting Resolution, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisers. In making your decision, the Independent Shareholders must rely on their own examination of the terms of the Offers and the Delisting Resolution, including the merits and risks involved. Independent Shareholders should consult their own professional advisers for professional advice.

You are also urged to read carefully (a) the letter from the Board from pages 24 to 35 of this Composite Document; (b) the letter from the Independent Board Committee from pages 36 to 37 of this Composite Document; (c) the letter from Gram Capital from pages 38 to 58 of this Composite Document; (d) the procedures for acceptance of the Offers as set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance; (e) the details for meetings to be convened for approving the Delisting Resolution (amongst other business) as set out in the section headed "The General Meeting and the H Share Class Meeting" in the "Letter from the Board" in this Composite Document; and (f) other information as set out in the appendices to this Composite Document which form part of this Composite Document.

Yours faithfully
For and on behalf of
CMB International Capital Limited
Cheung Yee Man, Elaine
Managing Director



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)

Executive Directors:

Mr. Liu Zhiguang
Mr. Xiao Dongsheng
Ms. Zhou Jinying
Mr. Shi Lei

Non-executive Directors:

Mr. Liu Xuejing
Mr. Zhang Chuanli

Independent Non-executive Directors:

Mr. Guo Tianyong
Ms. Zhao Yinglin
Mr. Chung Wai Man

Registered office:

Liumiao Village, Anle Town
Yanggu County
Liaocheng City
Shandong Province
PRC

*Principal place of business
in Hong Kong:*

14th Floor, Golden Centre
188 Des Voeux Road Central
Hong Kong

28 December 2022

To the Shareholders

Dear Sir or Madam,

- (1) UNCONDITIONAL MANDATORY CASH OFFER BY CMB INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF THE OFFEROR FOR ALL THE ISSUED H SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR);**
 - (2) UNCONDITIONAL MANDATORY CASH OFFER BY THE OFFEROR FOR ALL THE ISSUED DOMESTIC SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR);**
 - (3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF SHANDONG FENGXIANG;**
 - (4) NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING OF SHANDONG FENGXIANG;**
- AND**
- (5) NOTICE OF THE 2023 FIRST H SHARE CLASS MEETING OF SHANDONG FENGXIANG**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Joint Announcement issued by Shandong Fengxiang and the Offeror on 28 October 2022 in relation to, among other things, the Acquisition, the Offers and the Delisting Resolution. On 19 December 2022, the Offeror, the Administrator and the Vendors entered into the Supplemental SPA pursuant to which the SPA was amended and restated, details of which are set out in the joint announcement dated 20 December 2022 jointly issued by Shandong Fengxiang and the Offeror.

The Sale Shares Transfer took place on 20 December 2022. As at the Latest Practicable Date, the Offeror held an aggregate of 992,854,500 Domestic Shares in Shandong Fengxiang, representing approximately 70.92% of the total share capital or approximately 95.01% of all the issued Domestic Shares of Shandong Fengxiang.

Under Rule 26.1 of the Takeovers Code, upon the Sale Shares Transfer, the Offeror is required to make unconditional mandatory cash offers for all the issued Shares, other than those Shares already owned by or agreed to be acquired by the Offeror at the time. The Offers are unconditional in all respects.

This letter forms part of this Composite Document and the purpose of this Composite Document is to provide you with, among other things, the details of the Offers, the information on the Offeror, as well as to set out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offers and the letter from Gram Capital containing its advice and recommendations to the Independent Board Committee in respect of the Offers.

MANDATORY UNCONDITIONAL CASH OFFERS

Principal terms of the Offers

The Offeror is making the Domestic Share Offer for all the Domestic Shares and CMBI, for and on behalf of the Offeror, are making the H Share Offer for all the H Shares (other than those already owned or agreed to be acquired by the Offeror), on the following basis:

For each H Share..... HK\$1.5132 in cash

For each Domestic Share..... RMB1.3822 in cash

The H Share Offer Price of HK\$1.5132 per Offer Share under the H Share Offer is equal to the price of RMB1.3822 per Sale Share, as translated into HKD based on the Applicable RMB: HKD Exchange Rate.

The Offers are extended to all Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offers shall be fully paid and free from all Encumbrances and together with all rights and benefits attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive all

LETTER FROM THE BOARD

dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid by reference to a record date on or after the date on which the Offers are made, being the date of this Composite Document.

Shandong Fengxiang confirmed that as at the Latest Practicable Date, Shandong Fengxiang does not have any declared and unpaid dividend and does not have any intention to make, declare or pay any future dividend or make other distribution until the close of the Offers.

The H Share Offer Price and comparison of value

The H Share Offer Price of HK\$1.5132 per H Share or the Domestic Share Offer Price of RMB1.3822 per Domestic Share represents:

- (i) a discount of approximately 0.45% over the closing price of HK\$1.52 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 96.52% over the closing price of HK\$0.77 per H Share as quoted on the Stock Exchange on 16 September 2022, being the last trading day immediately preceding the date of the First Rule 3.7 Announcement;
- (iii) a premium of approximately 14.64% over the closing price of HK\$1.32 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a premium of approximately 18.22% over the average closing price of approximately HK\$1.28 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 32.74% over the average closing price of approximately HK\$1.14 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 54.41% over the average closing price of approximately HK\$0.98 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 59.28% over the average closing price of approximately HK\$0.95 per H Share as quoted on the Stock Exchange for the last 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a premium of approximately 36.32% over the average closing price of approximately HK\$1.11 per H Share as quoted on the Stock Exchange for the last 120 consecutive trading days immediately prior to and including the Last Trading Day;
- (ix) a premium of approximately 26.10% over the average closing price of approximately HK\$1.20 per H Share as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to and including the Last Trading Day;

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- (x) a discount of approximately 41.58% to the unaudited consolidated net asset value per Share of Shandong Fengxiang of approximately RMB2.36 (equivalent to approximately HK\$2.59) per H Share as at 30 June 2022, based on a total of 1,400,000,000 Shares in issue as at 30 June 2022 and the Latest Practicable Date and the unaudited consolidated net asset attributable to shareholders of Shandong Fengxiang of approximately RMB3,307.9 million as at 30 June 2022; and
- (xi) a discount of approximately 43.11% to the audited consolidated net asset value per Share of Shandong Fengxiang of approximately RMB2.43 (equivalent to approximately HK\$2.66) per H Share as at 31 December 2021, based on a total of 1,400,000,000 Shares in issue as at 31 December 2021 and the Latest Practicable Date and the audited consolidated net asset attributable to shareholders of Shandong Fengxiang of approximately RMB3,399.6 million as at 31 December 2021.

Highest and lowest share prices of H Shares

During the Relevant Period:

- (a) the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$1.54 per H Share on 22 December 2022; and
- (b) the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$0.71 per H Share on 29 March 2022.

Value of the Offers

Based on the issued share capital of Shandong Fengxiang as at the Latest Practicable Date, there will be 355,000,000 H Shares and 52,145,500 Domestic Shares subject to the H Share Offer and the Domestic Share Offer, respectively.

The H Share Offer is valued at HK\$537,186,000 based on the H Share Offer Price of HK\$1.5132 per H Share.

The Domestic Share Offer is valued at RMB72,075,510 based on the Domestic Share Offer Price of RMB1.3822 per Domestic Share.

OTHER TERMS OF OFFERS

Confirmation of Financial Resources

The Offeror intends to finance the cash consideration required for the Offers with equity commitments from PAG Fund IV. CMBI, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offers.

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Payment

Payment in cash in respect of acceptances of the H Share Offer will be made as soon as possible but in any event within 7 business days (as defined under the Takeovers Code) following the date on which the Offer Shares held by H Shareholders are validly tendered for acceptance of the H Share Offers. Duly completed acceptance forms and the relevant documents of title in respect of such acceptance must be received by the H Share Registrar to render such acceptance of the H Share Offer complete and valid.

As settlement of consideration under the Domestic Share Offer is subject to certain transfer and foreign exchange registration formalities and procedures imposed by CSDC and the State Administration of Foreign Exchange in the PRC which are not within the control of the Offeror, settlement of the consideration in respect of acceptances received under the Domestic Share Offer will be made via wire transfer by the Offeror as soon as reasonably practicable within seven (7) business days following completion of such transfer and foreign exchange registration formalities imposed by CSDC and the State Administration of Foreign Exchange and the receipt of notice from the relevant Domestic Shareholder in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer Price. However, because (i) such transfer and foreign exchange registration formalities may only be initiated upon receipt of the duly completed acceptance with respect to the Domestic Share Offer, and are expected to take more than 7 business days to complete, and (ii) payment of consideration under Domestic Share Offer can only be made to the accepting Domestic Shareholders after completion of (a) the transfer of the Domestic Shares from the accepting Domestic Shareholders to the Offeror through CSDC, (b) the registration of the change of shareholding structure by Shandong Fengxiang with the relevant local branch of the State Administration of Foreign Exchange, and (c) the opening of a particular bank account by the accepting Domestic Shareholders for the purposes of receiving consideration under Domestic Share Offer, the Offeror will not be able to settle the consideration in respect of a duly completed acceptance received under the Domestic Share Offer within 7 business days following the date of receipt of such acceptance as required under Rule 20.1 of the Takeovers Code. As such, the Offeror has applied to the Executive for, and the Executive has indicated that a waiver from strict compliance with Rule 20.1 of the Takeovers Code for the Domestic Share Offer will be granted. Duly completed acceptance forms and the relevant documents in respect of such acceptance must be received by the Shandong Fengxiang to render such acceptance of the Domestic Share Offer complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offers will be rounded up to the nearest cent.

Hong Kong Stamp Duty

No Hong Kong stamp duty will arise on acceptance of the Domestic Share Offer. The seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the H Share Offer will be payable by the relevant Shareholders at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the H Share Offer, whichever is higher, and will be deducted from the amount payable to the relevant Shareholder on

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acceptance of the H Share Offer (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded-up to the nearest HK\$1.00). The Offeror will arrange for payment of the sellers' Hong Kong ad valorem stamp duty on behalf of accepting Shareholders and pay the buyer's Hong Kong ad valorem stamp duty in connection with such Offer Shares and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

PRC Stamp Duty

No PRC stamp duty will arise on acceptance of the H Share Offer. A PRC stamp duty arising in connection with acceptances of the Domestic Share Offer will be payable by the relevant Shareholders at a rate of 0.05% of the consideration in respect of the relevant acceptances of the Domestic Share Offer.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with the Offeror, Shandong Fengxiang, CMBI and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers. Each Shareholder who accepts the Offers shall warrant to the Offeror and Shandong Fengxiang that it/he/she shall make necessary filing and settle any income taxes in connection with its/his/her acceptance of the Offers in full amount and within the stipulated time period as required by applicable tax laws and regulations. Each Shareholder who accepts the Offers agrees to indemnify, defend and hold harmless the Offeror from any tax liabilities or tax withholding liabilities imposed under applicable tax laws and regulations upon the Offeror (if applicable), together with any interest, surcharges or penalties with respect thereto, to the extent arising from its/his/her failure to duly and timely make a filing for and pay the income taxes imposed on it/him/her in connection with its/his/her acceptance of the Offers.

Independent Board Committee

As disclosed in the Joint Announcement, in accordance with the Takeovers Code, an Independent Board Committee of Shandong Fengxiang has been established for the purpose of advising the Independent Shareholders as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers and how to vote in respect of the Delisting Resolution.

The Independent Board Committee comprised Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man as independent non-executive Directors. As (a) Mr. Liu Xuejing, a non-executive Director, was a shareholder of GMK Holdings and (b) Mr. Zhang Chuanli, a non-executive Director, was a director of GMK Holdings, each of Mr. Liu Xuejing and Mr. Zhang Chuanli is therefore not considered as independent for the purpose of giving advice or recommendations to the Independent Shareholders.

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Shandong Fengxiang, with the approval of the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code, has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers and the Delisting Resolution and, in particular, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers and how to vote in respect of the Delisting Resolution.

The full text of the letter of advice from Gram Capital addressed to the Independent Board Committee is set out in this Composite Document. Independent Shareholders are advised to read the letter of advice from Gram Capital and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offers and the Delisting Resolution.

THE OFFEROR'S INTENTION AND DELISTING RESOLUTION OF SHANDONG FENGXIANG

The Offeror proposes to delist Shandong Fengxiang from the Stock Exchange and accordingly Shandong Fengxiang has agreed to convene the Shareholders Meetings for the purpose of Independent Shareholders to consider and vote on the Delisting Resolution (amongst other business). If the Delisting Resolution is approved and assuming the Delisting Acceptance Condition is satisfied it will not become effective until the close of the Offers (including the extension of at least 28 days following the satisfaction of the Delisting Acceptance Condition). The Offeror, its associates and parties acting in concert with it shall abstain from voting on the Delisting Resolution.

The Shareholders Meetings shall be convened for Independent Shareholders to consider and vote on the Delisting Resolution (amongst other business). The Delisting Resolution will be subject to:

- (a) the passing by the Independent H Shareholders at the H Share Class Meeting to be convened for the purpose of delisting, provided that:
 - (i) such approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
 - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders;
- (b) the passing by the Independent Shareholders at the General Meeting to be convened for the purpose of delisting, provided that:
 - (i) such approval is given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy; and

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- (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the Shares held by the Independent Shareholders; and
- (c) the Offeror having received valid acceptances amounting to not less than 90% of the H Shares held by Independent H Shareholders required under Note (iii) to Rule 2.2 of the Takeovers Code given Shandong Fengxiang is established in the PRC where it does not afford compulsory acquisition rights to the Offeror as offeror.

As described above, the Offeror proposes to delist Shandong Fengxiang, subject to the satisfaction of the requirements as set out above for the Delisting Resolution in accordance with Rule 2.2 of the Takeovers Code and the satisfaction of all other Listing Rules requirements.

Shandong Fengxiang will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 of the Listing Rules.

In the event that the Delisting Resolution is not approved, or, if approved, the Delisting Acceptance Condition is not satisfied and the public float of Shandong Fengxiang falls below 25% following the close of the Offers, the directors of Falcon Holding GP Limited (being the general partner of the Offeror), for and on behalf of the Offeror, have undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which may include issuance of new Shares by Shandong Fengxiang or placing down part of the interest that the Offeror or its parties acting in concert with it hold in Shandong Fengxiang following the close of the Offers, to ensure the minimum percentage of the Shares as required under Rule 8.08(1)(a) of the Listing Rules to the public. To restore the public float by placing down, the Offeror may either directly dispose of, transfer, or engage a placing agent for placing of, the Shares held by the Offeror or its concert parties. Any new directors proposed to be appointed to the Board by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. Further announcement(s) regarding the restoration of public float will be made by Shandong Fengxiang as and when appropriate.

PROPOSED CHANGE OF THE BOARD

The Board is currently made up of nine Directors, comprising four executive Directors, being Mr. Liu Zhiguang, Mr. Xiao Dongsheng, Ms. Zhou Jinying and Mr. Shi Lei, two non-executive Directors, being Mr. Liu Xuejing and Mr. Zhang Chuanli, and three independent non-executive Directors, being Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man.

The Directors intend to retire from office of the Fourth Session of the Board and such retirements shall comply with the Takeovers Code, the Listing Rules, the articles of association of Shandong Fengxiang and other applicable laws. The Offeror intends to nominate new Directors to the Fifth Session of the Board subject to compliance with the Takeovers Code, the Listing Rules, the articles of association of Shandong Fengxiang and other applicable laws. The appointments of new Directors to the Board will be subject to the approval of the General Meeting. As at the Latest Practicable Date, the Offeror has not finalised who will be nominated as the new Directors. A

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separate circular (together with the proxy form(s)) will be despatched to the Shareholders setting out, amongst others, details of the proposed change of the Board, the ordinary resolutions for approving the proposed appointments of the new Directors, and their biographical details.

Save as disclosed above, the Offeror does not intend to implement any material changes to the Board.

INTENTIONS OF THE OFFEROR REGARDING THE BUSINESS AND EMPLOYEES OF SHANDONG FENGXIANG

The Offeror intends to substantially maintain Shandong Fengxiang's existing business and the Offeror does not have any plan to make any material changes to (1) the business of Shandong Fengxiang (including any redeployment of the fixed assets of Shandong Fengxiang), or (2) the continued employment of the operational employees of Shandong Fengxiang (other than in the ordinary course of business).

The Board has noted such intentions. The Board is of the view that the Offeror's intentions in relation to the business and its employees would not have a material impact on the existing businesses of Shandong Fengxiang.

THE GENERAL MEETING AND THE H SHARE CLASS MEETING

The General Meeting will be convened to approve the Delisting Resolution (amongst other business) at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC at 9:00 a.m. on Wednesday, 18 January 2023, and the H Share Class Meeting will be convened to approve the Delisting Resolution at 10:00 a.m. or immediately after the conclusion of the General Meeting or any adjournment thereof (whichever is the later) on Wednesday, 18 January 2023, respectively. A notice of the General Meeting is set out in Appendix IV to this Composite Document. A notice of the H Share Class Meeting is set out in Appendix V to this Composite Document. The Offeror and parties acting in concert with it will abstain from voting in respect of all their Shares at the General Meeting and the H Share Class Meeting in accordance with Rule 2.2 of the Takeovers Code.

Whether or not you are able to attend the General Meeting and/or the H Share Class Meeting or any adjournment thereof, you are strongly urged to complete the accompanying proxy form(s) in accordance with the instructions printed thereon and return the same to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or Shandong Fengxiang's registered office at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC (for holders of Domestic Shares) as soon as possible and in any event not less than 24 hours (i.e. 9:00 a.m. on Tuesday, 17 January 2023) before the time appointed for the General Meeting and the H Share Class Meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the Shareholders Meeting or any

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adjournment thereof, should you so wish. In the event that you attend and vote at any of the Shareholders Meetings or any adjournment thereof after having deposited the relevant proxy form, that proxy form will be deemed to have been revoked.

Voting at the Shareholders Meetings will be taken by way of poll as required under the Listing Rules and the Takeovers Code.

INFORMATION ON SHANDONG FENGXIANG

Shandong Fengxiang is a joint stock company incorporated in the PRC with limited liability. Shandong Fengxiang is a white-feathered broiler meat exporter and retail enterprise of chicken meat food in China. Shandong Fengxiang produces and sells processed chicken meat products and raw chicken meat products mainly from white-feathered broilers. The main products include (i) processed chicken meat products; (ii) raw chicken meat products; (iii) chicken breeds; and (iv) others.

Set out below is the financial information of Shandong Fengxiang for the two financial years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 prepared in accordance with the Accounting Standards for Business Enterprises of the PRC:

	For the financial year ended		Six months
	31 December		ended 30 June
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Revenue	3,901,615	4,416,764	2,443,273
Profit (loss) before income tax	157,562	48,744	(66,754)
Profit (loss) after income tax	151,615	47,075	(70,937)

Based on the audited consolidated financial information of Shandong Fengxiang as at 31 December 2021, the consolidated total assets and consolidated net assets attributable to shareholders of Shandong Fengxiang were approximately RMB6,931.1 million and RMB3,399.6 million respectively.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF SHANDONG FENGXIANG

The following table sets out the shareholding structure of Shandong Fengxiang (a) immediately prior to the Sale Shares Transfer; and (b) immediately after the Sale Shares Transfer and as at the Latest Practicable Date:

Shareholders	Immediately prior to the Sale Shares Transfer		Immediately after the Sale Shares Transfer and as at the Latest Practicable Date	
	Number of Shares	Approximate % of Shares in issue	Number of Shares	Approximate % of Shares in issue
Domestic Shares				
The Offeror and parties acting in concert with it	—	—	992,854,500	70.92%
Fengxiang Group	627,000,000	44.79%	—	—
Fengxiang Investment	167,200,000	11.94%	—	—
GMK Holdings ^(Note 1)	198,654,500	14.19%	—	—
Zhang Chuanli ^(Note 2)	2,703,000	0.19%	2,703,000	0.19%
Other holders of Domestic Shares	<u>49,442,500</u>	<u>3.53%</u>	<u>49,442,500</u>	<u>3.53%</u>
Total Domestic Shares	<u>1,045,000,000</u>	<u>74.64%</u>	<u>1,045,000,000</u>	<u>74.64%</u>
H Shares				
Xiao Dongsheng ^(Note 2)	240,000	0.02%	240,000	0.02%
Zhou Jinying ^(Note 2)	140,000	0.01%	140,000	0.01%
Shi Lei ^(Note 2)	80,000	0.01%	80,000	0.01%
2020 SAS Trustee ^(Note 4)	495,000	0.04%	495,000	0.04%
2021 SAS Trustee ^(Note 4)	21,133,000	1.51%	21,133,000	1.51%
Other Independent H Shareholders ^(Note 3)	<u>332,912,000</u>	<u>23.78%</u>	<u>332,912,000</u>	<u>23.78%</u>
Total H Shares	<u>355,000,000</u>	<u>25.36%</u>	<u>355,000,000</u>	<u>25.36%</u>
Total Shares in issue	<u>1,400,000,000</u>	<u>100%</u>	<u>1,400,000,000</u>	<u>100%</u>

LETTER FROM THE BOARD

Note:

- (1) Fengxiang Group and Fengxiang Investment are wholly owned by GMK Holdings, while GMK Holdings is owned as to 51% by Mr. Liu Xuejing, 9% by Ms. Zhang Xiuying (Mr. Liu Xuejing's spouse), 20% by Mr. Liu Zhiguang (Mr. Liu Xuejing's son) and 20% by Mr. Liu Zhiming (Mr. Liu Xuejing's son) respectively. By virtue of the SFO, Mr. Liu Zhiguang and Mr. Liu Xuejing (each a Director as at the Latest Practicable Date) are deemed to be interested in the Shares directly or indirectly held by GMK Holdings.
- (2) A Director as at the Latest Practicable Date.
- (3) As at the Latest Practicable Date, such holders include six Domestic Shareholders who are senior management members of GMK Holdings and their relatives.
- (4) 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 Latest Practicable Date, Mr. Xiao Dongsheng, Ms. Zhou Jinying and Mr. Shi Lei (each a Director as at the Latest Practicable Date) have been granted 2,976,000, 2,465,000 and 506,000 awarded shares respectively (representing approximately 0.21%, 0.18% and 0.04% of all the issued Shares), all of which have not yet been vested.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this Composite Document, which contains its recommendation to the Independent Shareholders in respect of the Offers and the Delisting Resolution, and (ii) the letter from Gram Capital, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and the Delisting Resolution, whether to accept the Offers and whether to vote for or against the Delisting Resolution, and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee and the Independent Shareholders. You are advised to read this Composite Document and the Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers and the Delisting Resolution.

Yours faithfully

By order of the Board of

Shandong Fengxiang Co., Ltd.

Shi Lei

Executive director and company secretary



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)

To the Independent Shareholders

Dear Sir or Madam,

- (1) UNCONDITIONAL MANDATORY CASH OFFER BY CMB INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF THE OFFEROR FOR ALL THE ISSUED H SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR);**
- (2) UNCONDITIONAL MANDATORY CASH OFFER BY THE OFFEROR FOR ALL THE ISSUED DOMESTIC SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR); AND**
- (3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF SHANDONG FENGXIANG**

INTRODUCTION

We refer to the Composite Document dated 28 December 2022 jointly issued by the Offeror and Shandong Fengxiang, of which this letter forms part, in connection with, among other things, the Offers and the Delisting Resolution. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offers and the Delisting Resolution, to advise you as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers and how to vote in respect of the Delisting Resolution.

Gram Capital has been appointed by Shandong Fengxiang and approved by us as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation are set out in the "Letter from Gram Capital" in the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to, and advise you to read, the “Letter from the Board”, the “Letter from CMBI” and the additional information set out in the appendices to this Composite Document.

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Offers and the Delisting Resolution or any direct or indirect interest therein and are therefore able to consider the terms of the Offers and the Delisting Resolution and to make recommendations to the Shareholders.

RECOMMENDATION

Having considered the terms of the Offers and the Delisting Resolution, taking into account the information contained in the Composite Document, and the independent advice of Gram Capital, in particular the factors, reasons and recommendation as set out in its letter, we consider that the terms of the Offers and the Delisting Resolution are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offers and vote in favour of the resolutions approving the Delisting Resolution at the General Meeting and the H Share Class Meeting.

In any case, the Independent Shareholders who intend to accept the Offers are strongly advised that the decision to realise or to hold their investments in Shandong Fengxiang is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offers. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in this Composite Document and the accompanying Form(s) of Acceptance.

Yours faithfully,
For and on behalf of
Independent Board Committee

Guo Tianyong
*Independent non-executive
Director*

Zhao Yinglin
*Independent non-executive
Director*

Chung Wai Man
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offers and the Delisting Resolution for the purpose of inclusion in this Composite Document.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

28 December 2022

To: The independent board committee of Shandong Fengxiang Co., Ltd.

Dear Sirs,

- (1) UNCONDITIONAL MANDATORY CASH OFFER BY
CMB INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF
THE OFFEROR FOR ALL THE ISSUED H SHARES IN
SHANDONG FENGXIANG
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE
ACQUIRED BY THE OFFEROR);**
- (2) UNCONDITIONAL MANDATORY CASH OFFER BY
THE OFFEROR FOR ALL THE ISSUED DOMESTIC SHARES IN
SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY THE OFFEROR); AND**
- (3) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF
THE H SHARES OF SHANDONG FENGXIANG**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers and the Delisting Resolution, details of which are set out in the Composite Document dated 28 December 2022 jointly issued by Shandong Fengxiang and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 28 October 2022, the Offeror and Shandong Fengxiang jointly published the Joint Announcement in relation to the Acquisition.

The Sale Shares Transfer took place on 20 December 2022. As at the Latest Practicable Date, the Offeror held an aggregate of 992,854,500 Domestic Shares in Shandong Fengxiang, representing approximately 70.92% of the total share capital or approximately 95.01% of all the issued Domestic Shares of Shandong Fengxiang.

LETTER FROM GRAM CAPITAL

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make unconditional mandatory cash offers for all the issued Shares, other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it at the time. The Offers are unconditional in all respects.

In addition, the Offeror proposes to delist Shandong Fengxiang from the Stock Exchange and accordingly Shandong Fengxiang has agreed to convene the Shareholders Meetings for the purpose of Independent Shareholders to consider and vote on the Delisting Resolution (among other business). If the Delisting Resolution is approved, it will not become effective until, assuming the Delisting Acceptance Condition is satisfied, the close of the Offers (including the extension of at least 28 days following the satisfaction of the Delisting Acceptance Condition). The Offeror, its associates and parties acting in concert with it shall abstain from voting on the Delisting Resolution.

The Independent Board Committee comprising Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man (all being independent non-executive Directors) has been formed to advise the Independent Shareholders as to whether the terms of the Offers are fair and reasonable, the acceptance of the Offers and how to vote in respect of the Delisting Resolution. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offers and the Delisting Resolution. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and Shandong Fengxiang during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, the Independent Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the

LETTER FROM GRAM CAPITAL

truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by Shandong Fengxiang, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Offers and the Delisting Resolution. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the sections headed "1. RESPONSIBILITY STATEMENT" of Appendix III to the Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of Shandong Fengxiang, the Offeror, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Independent Shareholders as a result of the Offers and the Delisting Resolution.

We have assumed that the Offers will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offers, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offers. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offers and the Delisting Resolution, we have taken into consideration the following principal factors and reasons:

1. Background and terms of the Offers

Principal terms of the Offers

The Offeror is making the Domestic Share Offer and CMBI, on behalf of the Offeror, is making the H Share Offer in compliance with the Takeovers Code on the following basis:

For each H Share..... HK\$1.5132 in cash

For each Domestic Share..... RMB1.3822 in cash^(Note)

Note: The H Share Offer Price of HK\$1.5132 per Offer Share under the H Share Offer is equal to the price of RMB1.3822 per Sale Share, as translated into HK\$ based on the Applicable RMB:HK\$ Exchange Rate.

With reference to the Composite Document, Shandong Fengxiang has 1,400,000,000 Shares in issue (comprising (i) 355,000,000 H Shares and (ii) 1,045,000,000 Domestic Shares) as at the Latest Practicable Date. Shandong Fengxiang has no outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares or any other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Further details of the Offers are set out in Appendix I to the Composite Document and the accompanying Forms of Acceptance.

LETTER FROM GRAM CAPITAL

2. Information of Shandong Fengxiang

With reference to the section headed “LETTER FROM THE BOARD” of the Composite Document (the “**Board Letter**”), Shandong Fengxiang is a joint stock company incorporated in the PRC with limited liability. Shandong Fengxiang is a white-feathered broiler meat exporter and retail enterprise of chicken meat food in the PRC. The Group produces and sells processed chicken meat products and raw chicken meat products mainly from white-feathered broilers. The Group’s main products include (i) processed chicken meat products; (ii) raw chicken meat products; (iii) chicken breeds; and (iv) others.

2.1 Financial Information

Set out below is a summary of the audited consolidated financial information of the Group for each of the two years ended 31 December 2021 as extracted from the Shandong Fengxiang’s annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”):

	For the year ended 31 December 2021 RMB’000	For the year ended 31 December 2020 RMB’000	Year on year change %
Total operating revenue	4,416,764	3,901,615	13.20
— <i>Processed chicken meat products</i>	2,295,406	1,773,387	29.44
— <i>Raw chicken meat products</i>	1,913,256	1,922,651	(0.49)
— <i>Chicken breeds</i>	64,822	85,335	(24.04)
— <i>Others</i>	143,280	120,242	19.16
Operating profit	48,864	165,044	(70.39)
Net profit	47,075	151,615	(68.95)
	As at 31 December 2021 RMB’000	As at 31 December 2020 RMB’000	Year on year change %
Total assets	6,931,052	5,777,549	19.97
Total liabilities	3,531,440	2,390,013	47.76
Net assets	3,399,612	3,387,536	0.36
Monetary funds	1,854,774	1,556,135	19.19

LETTER FROM GRAM CAPITAL

The Group recorded total operating revenue of approximately RMB4.42 billion for the year ended 31 December 2021 (“**FY2021**”), representing an increase of approximately 13.20% as compared to that for the year ended 31 December 2020 (“**FY2020**”). With reference to the 2021 Annual Report, such increase in total operating revenue was primarily due to increase in sales volume of processed chicken meat products.

The Group recorded net profit of approximately RMB47.08 million for FY2021, representing a decrease of approximately 68.95% as compared to that for FY2020. With reference to the 2021 Annual Report, such decrease in net profit was primarily due to (i) increase in costs of animal feed due to increase in price of raw materials such as corn and soybean meal; (ii) increase in selling and marketing expenses as a result of increase in resources invested by the Group in its new retail business; and (iii) decrease in the selling prices of raw chicken meat products.

As at 31 December 2021, the Group had total assets and net assets of approximately RMB6.93 billion and RMB3.39 billion respectively, representing increases of approximately 19.97% and 0.36% respectively as compared to those as at 31 December 2020.

As at 31 December 2021, the Group’s monetary funds was approximately RMB1.85 billion. With reference to the 2021 Annual Report, the Group’s bank deposit balance as at 31 December 2021 included funds amounting to RMB1,041,438,100 deposited with GMK Finance Co., Ltd. (“**GMK Finance**”), which is controlled by GMK Holdings. GMK Holdings and its subsidiaries had overdue debts. GMK Finance was involved in overdue repayment disputes and litigation. The management of Shandong Fengxiang did not provide sufficient supporting evidence regarding the possible impact of the matter on the above deposits (the “**Deposit Matter**”) and the reasons for not providing for impairment. Accordingly, BDO China Shu Lun Pan Certified Public Accountants LLP (Shandong Fengxiang’s auditor, the “**Auditor**”) was unable to obtain sufficient and appropriate audit evidence regarding the recoverability of the above amounts to make a judgment as to whether adjustments to the related financial statement items are necessary. Based on the above, the Auditor expressed a qualified opinion on the Group’s financial statements for FY2021.

In addition, GMK Holdings and its subsidiaries provided joint liability guarantee for the bank borrowings amounting to RMB1,078,000,000 of Shandong Fengxiang as at 31 December 2021. Due to the overdue debts issue of the above guarantors, there is a risk that the bank borrowings of Shandong Fengxiang will be called for early repayment (the “**Early Repayment Risk**”).

With reference to the independent auditor’s report as contained in the 2021 Annual Report, the above circumstances indicated the existence of material uncertainties that may give rise to significant doubts about Shandong Fengxiang’s ability to continue as a going concern.

LETTER FROM GRAM CAPITAL

Set out below is a summary of the unaudited consolidated financial information of the Group for the six months ended 30 June 2022, together with the comparative figures for 2021 as extracted from the Shandong Fengxiang's interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”):

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Year on year change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Total operating revenue	2,443,273	1,969,445	24.06
— <i>Processed chicken meat products</i>	<i>1,141,297</i>	<i>1,046,836</i>	<i>9.02</i>
— <i>Raw chicken meat products</i>	<i>1,204,620</i>	<i>810,978</i>	<i>48.54</i>
— <i>Chicken breeds</i>	<i>24,287</i>	<i>42,769</i>	<i>(43.21)</i>
— <i>Others</i>	<i>73,069</i>	<i>68,862</i>	<i>6.11</i>
Operating loss	(67,003)	(60,887)	10.04
Net loss	(70,937)	(57,602)	23.15
	As at 30 June 2022	As at 30 June 2021	Year on year change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Total assets	6,018,718	6,408,332	(6.08)
Total liabilities	2,710,853	3,211,332	(15.58)
Net assets	3,307,865	3,197,000	3.47
Monetary funds	1,156,368	1,910,676	(39.48)

The Group recorded total operating revenue of approximately RMB2.44 billion for the six months ended 30 June 2022 (“**1H2022**”), representing an increase of approximately 24.06% as compared to that for the corresponding period in 2021. With reference to the 2022 Interim Report, such increase in total operating revenue was primarily due to increase in sales volume of processed chicken meat products and raw chicken meat products.

The Group recorded net loss of approximately RMB70.94 million for 1H2022, representing an increase of approximately 23.15% as compared to that for the corresponding period in 2021. With reference to the 2022 Interim Report, such increase in the Group's net loss was mainly due to increase in selling expenses (mainly include sales and promotion expenses, employee compensation, travel expenses and others) and finance costs (mainly include net interest expenses).

LETTER FROM GRAM CAPITAL

As at 30 June 2022, the Group had total assets and net assets of approximately RMB6.02 billion and RMB3.31 billion respectively, representing a decrease of approximately 6.08% and an increase of approximately 3.47% respectively, as compared to those as at 30 June 2021.

With reference to the 2022 Interim Report, the Deposit Matter and the Early Repayment Risk continued to exist as at 30 June 2022 and they indicated the existence of material uncertainties that may give rise to significant doubts about Shandong Fengxiang's ability to continue as a going concern (the “**Doubts on Going Concern**”). As at 30 June 2022, the Group's bank borrowings that were subject to the Early Repayment Risk were approximately RMB851.9 million.

On 17 November 2022, Shandong Fengxiang announced that the Group's deposits with GMK Finance were already unavailable for withdrawal and utilisation by the Group for daily operation. In addition, there was overdue payment for deposit interests from GMK Finance to the Group. As at 17 November 2022, the Group's deposits (including related accrued interests) with GMK Finance that were subject to the Deposit Matter were approximately RMB815.5 million, representing approximately 70.5% of the Group's monetary funds and approximately 24.7% of the Group's net assets as at 30 June 2022.

Should the Group fail to retrieve the aforesaid deposits and recover related accrued interests, the Group's financial position will be damaged and thus the Shareholders' interests will be impaired.

2.2 Industry overview

Annual production of poultry meat in the PRC

Set out below are statistics in relation to annual production of poultry production in the PRC during the five years ended 31 December 2021 published by the National Bureau of Statistics of China:

	2017	2018	2019	2020	2021
Annual production of poultry meat in the PRC					
<i>(million tons)</i>	18.97	19.94	22.39	23.61	23.80
<i>Year-on-year changes (%)</i>		5.1	12.3	5.5	0.8

As shown in the table above, there was year-on-year increase in annual production of poultry meat in the PRC for each of the year 2018, 2019, 2020 and 2021. The annual production of poultry meat in the PRC increased from approximately 18.97 million tons in 2017 to approximately 23.80 million tons in 2021, representing a compounded annual growth rate of approximately 5.8%. Nevertheless, annual increasing rate decreased in 2020 and 2021.

LETTER FROM GRAM CAPITAL

Prices of chicken meat in the PRC

Set out below are statistics in relation to the retail price and wholesale price of chicken meat in the PRC during the five years ended 31 December 2021 and up to October 2022 published by the Ministry of Agriculture and Rural Affairs of the PRC:

	2017	2018	2019	2020	2021	October 2022
<i>Retail price (mid) of chicken meat in the PRC (RMB per kilogram)</i>						
	20.19	21.89	25.55	26.66	25.71	27.06
<i>Changes (%)</i>		8.4	16.7	4.3	(3.6)	5.3
<i>Wholesale price (mid) of chicken meat in the PRC (RMB per kilogram)</i>						
	13.93	15.00	17.55	16.82	17.14	19.19
<i>Changes (%)</i>		7.7	17.0	(4.2)	1.9	12.0

As shown in the table above, there was year-on-year increase in the retail price (mid) of chicken meat in the PRC for each of the year 2018, 2019 and 2020; and year-on-year increase in the wholesale price (mid) of chicken meat in the PRC for each of the year 2018, 2019 and 2021. The retail price (mid) of chicken meat in the PRC increased from RMB20.19 per kilogram for the year 2017 to RMB25.71 per kilogram for the year 2021, representing a compound annual growth rate of approximately 6.2%; and the wholesale price (mid) of chicken meat in the PRC increased from RMB13.93 per kilogram for the year 2017 to RMB17.14 per kilogram for the year 2021, representing a compound annual growth rate of 5.3%.

Furthermore, the retail price (mid) of chicken meat in the PRC increased to RMB27.06 per kilogram for October 2022, representing an increase of 5.3% as compared to that for the year 2021; and the wholesale price (mid) of chicken meat in the PRC increased to RMB19.19 per kilogram for October 2022, representing an increase of 12.0% as compared to that for the year 2021.

Producer price index of corn and soybean in the PRC

As noted from the 2022 Interim Report, corn and soybean meal are raw materials of animal feeds used by the Group in the feeding process, as such, we searched for the price statistics of corn and soybean in the PRC. Set out below are

LETTER FROM GRAM CAPITAL

statistics in relation to the producer price index of corn and soybean in the PRC during the five years ended 31 December 2021 and the third quarter of 2022 published by the National Bureau of Statistics of China:

	2017	2018	2019	2020	2021	3rd quarter 2022
<i>Producer price index of corn in the PRC (previous year = 100)</i>	97.1	105.1	102.0	107.6	125.5	103.3
<i>Year-on-year changes (%)</i>	(2.9)	5.1	2.0	7.6	25.5	3.3
<i>Producer price index of soybean in the PRC (previous year = 100)</i>	97.7	97.9	100.1	105.5	112.8	106.4
<i>Year-on-year changes (%)</i>	(2.3)	(2.1)	0.1	5.5	12.8	6.4

As shown in the table above, there was year-on-year increase in (i) the producer price index of corn in the PRC for each of the year 2018, 2019, 2020 and 2021; and (ii) the producer price index of soybean in the PRC for each of the year 2019, 2020 and 2021. The producer price index of corn increased to 125.5 for the year 2021, representing an increase of 25.5% as compared to that for the year 2020; and the producer price index of soybean increased to 112.8 for the year 2021, representing an increase of 12.8% as compared to that for 2020. In addition, the producer price indices of corn and soybean in the PRC continued to increase in the third quarter of 2022.

The increase in retail price and wholesale price of chicken meat in the PRC from 2017 to October 2022 (with fluctuation) indicated increase in the Group's product selling prices. Nevertheless, the aforesaid continuous increase in producer price indices of corn and soybean in the PRC from 2019 to the third quarter of 2022, in particular, substantial increase from 2020 to 2021, indicated increase in the Group's production cost). Together with the declined annual increasing rate of annual production of poultry meat in the PRC in 2020 and 2021, it is uncertain as to whether the market conditions in future will be favourable to the Group's principal businesses.

3. Information on the Offeror

With reference to the section headed "4. INFORMATION ON THE OFFEROR" of the letter from CMBI (the "CMBI Letter") as contained in the Composite Document, the Offeror is a limited partnership formed in the Cayman Islands. It is principally engaged in investment holding services. The general partner of the Offeror is Falcon Holding GP Limited, being a

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company directly wholly-owned by PAG Capital Limited. As at the Latest Practicable Date, the sole limited partner of the Offeror is PAG Fund IV, whose general partner is PAG Asia Capital GP IV Limited, being a company directly wholly-owned by PAG Capital Limited. PAG Capital Limited is controlled by Pacific Alliance Group Limited, which is in turn wholly-owned by PAG.

PAG is a leading investment firm founded by Mr. Weijian Shan, Mr. Christopher Marcus Gradel and Mr. Jon-Paul Toppino. It focuses on Asia and has three core strategies: Private Equity, Credit & Markets and Real Assets. Based in Asia, it has offices in all the major markets in Asia.

Detailed information of the Offeror is set out in the section headed “4. INFORMATION ON THE OFFEROR” of the CMBI Letter.

4. Offeror’s intention on Shandong Fengxiang

Set out below is the intention in respect of Shandong Fengxiang as extracted from the section headed “2. OFFEROR’S INTENTION AND PROPOSALS REGARDING THE LISTING STATUS OF SHANDONG FENGXIANG” of the CMBI Letter:

Delisting Resolution

The Offeror proposes to delist Shandong Fengxiang from the Stock Exchange and accordingly Shandong Fengxiang has agreed to convene the Shareholders Meetings for the purpose of Independent Shareholders to consider and vote on the Delisting Resolution (amongst other business). If the Delisting Resolution is approved and assuming the Delisting Acceptance Condition is satisfied, it will not become effective until the close of the Offers (including the extension of at least 28 days following the satisfaction of the Delisting Acceptance Condition).

Proposed change of the Board

The Directors intend to retire from office of the fourth session of the Board and such retirements shall comply with the Takeovers Code, the Listing Rules, the articles of association of Shandong Fengxiang and other applicable laws. The Offeror intends to nominate new Directors to the fifth session of the Board subject to compliance with the Takeovers Code, the Listing Rules, the articles of association of Shandong Fengxiang and other applicable laws. The appointments of new Directors to the Board will be subject to the approval of the General Meeting. A separate circular (together with the proxy form(s)) will be despatched to the Shareholders setting out, amongst others, details of the proposed change of the Board, the ordinary resolutions for approving the proposed appointments of the new Directors, and their biographical details.

Save as disclosed above, the Offeror does not intend to implement any material changes to the Board.

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Intentions of the Offeror regarding the business and employees of Shandong Fengxiang

The Offeror intends to substantially maintain Shandong Fengxiang's existing business and the Offeror does not have any plan to make any material changes to (1) the business of Shandong Fengxiang (including any redeployment of the fixed assets of Shandong Fengxiang), or (2) the continued employment of the operational employees of Shandong Fengxiang (other than in the ordinary course of business).

Detailed Offeror's intention on Shandong Fengxiang is set out in the section headed "2. OFFEROR'S INTENTION AND PROPOSALS REGARDING THE LISTING STATUS OF SHANDONG FENGXIANG" of the CMBI Letter.

5. Reasons for and benefits of the Offers and the Delisting Resolution

With reference to the CMBI Letter, the Offeror considers that the Offers and the proposed delisting of H Shares will provide an opportunity to Shareholders to realise their investment in Shandong Fengxiang at an attractive premium over the prevailing price of the Shares. The Offer Price of HK\$1.5132 per H Share or RMB1.3822 per Domestic Share represents a premium of approximately 35.11% to the average closing price of HK\$1.12 per H Share as quoted on the Stock Exchange for the six-month period up to and including the Last Trading Day or a premium of approximately 14.64% to the closing price of HK\$1.32 per H Share as quoted on the Stock Exchange on the Last Trading Day. The Offers and the proposed delisting of H Shares are also a unique opportunity for Shareholders to monetise their holdings in a low liquidity stock with average daily trading volume of approximately 406,920 H shares per day, or 0.11% of the issued H shares per day, for the six-month period up to and including the Last Trading Day. The average daily trading volume was approximately 2,234,585 H Shares per day, or 0.63% of the issued H Shares per day, since the H Shares were listed in the Main Board of the Stock Exchange on 16 July 2020 and leading up to and including the Last Trading Day. The low trading liquidity of the H Shares makes it difficult for H Shareholders to sell their shareholdings in large volume on the secondary market without adversely affecting the price of the H Shares. The Offers and the proposed delisting of H Shares provide the Independent Shareholders with an opportunity to realise their investment in Shandong Fengxiang at a premium over market price and without suffering any illiquidity discount. The delisting of H Shares from the Stock Exchange, if completed, will reduce the costs and management resources associated with the maintenance of the listing status of Shandong Fengxiang on the Stock Exchange and will provide Shandong Fengxiang with flexibility to pursue certain strategic alternatives such as further expanding production capacities and sales and distribution network, diversifying product portfolio, and pursuing appropriate strategic alliances or joint ventures without having to focus on the short-term market reactions or regulatory requirements such as independent shareholders' approvals on transactions under Chapter 14 and 14A of the Listing Rules and compliance obligations arising from being a public company. In the event of the delisting of H Shares from the Stock Exchange is completed, the Offeror does not have any immediate plan to relist Shandong Fengxiang on

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other stock exchanges as at the Latest Practicable Date. However, the Offeror will continue, and will remain open to, evaluating different options which may strengthen Shandong Fengxiang’s long term competitive edge and shareholder value. The Offeror believes that the terms of the Offers represent attractive value, with high certainty and speed, to the Shareholders.

Trading liquidity

We performed a trading liquidity analysis of the H Shares for the period from 1 September 2022, being approximately one year prior to the date of the First Rule 3.7 Announcement, up to and including the Latest Practicable Date (the “**Review Period**”). The number of trading days per month, the average daily number of the H Shares traded per month, and the respective percentages of the average daily number of the H Shares traded per month as compared to (i) the total number of issued H Shares as at the Latest Practicable Date; and (ii) the total number of issued H Shares held by the Independent H Shareholders as at the Latest Practicable Date during the Review Period are tabulated below:

Month	Number of trading days	Average daily trading volume (the “Average Volume”) <i>Number of Shares</i>	% of the Average Volume to total number of issued H Shares as at the Latest Practicable Date <i>(Note 1) Approximate %</i>	% of the Average Volume to total number of issued H Shares held by the Independent H Shareholders as at the Latest Practicable Date <i>(Note 2) Approximate %</i>
2021				
September	21	280,333	0.08	0.08
October	18	303,111	0.09	0.09
November	22	305,759	0.09	0.09
December	22	823,773	0.23	0.25
2022				
January	21	1,046,190	0.29	0.31
February	17	221,941	0.06	0.07
March	23	592,783	0.17	0.18
April	18	828,444	0.23	0.25
May	20	353,815	0.10	0.11
June	21	189,286	0.05	0.06
July	20	160,750	0.05	0.05
August	22	250,739	0.07	0.08
September <i>(Note 3)</i>	19	586,789	0.17	0.18
October <i>(Note 3)</i>	10	2,057,100	0.58	0.62

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Month	Number of trading days	Average daily trading volume (the “Average Volume”) <i>Number of Shares</i>	% of the Average Volume to total number of issued H Shares as at the Latest Practicable Date <i>(Note 1)</i> <i>Approximate %</i>	% of the Average Volume to total number of issued H Shares held by the Independent H Shareholders as at the Latest Practicable Date <i>(Note 2)</i> <i>Approximate %</i>
November	22	1,096,227	0.31	0.33
December (up to and including the Latest Practicable Date)	17	1,180,613	0.33	0.35

Source: the Stock Exchange’s website

Notes:

1. Based on 355,000,000 H Shares in issue as at the Latest Practicable Date.
2. Based on 332,912,000 H Shares held by the Independent H Shareholders as at the Latest Practicable Date.
3. Trading in H Shares was halted (i) with effect from 9:00 a.m. on 19 September 2022 and resumed at 9:00 a.m. on 21 September 2022; and (ii) with effect from 9:00 a.m. on 17 October 2022 and resumed at 9:00 a.m. on 31 October 2022.

As illustrated from the table above, the H Shares’ trading volume was thin during the Review Period. The Average Volume of H Shares traded in each month was lower than 1% of (i) the total number of H Shares in issue as at the Latest Practicable Date; and (ii) the total number of issued H Shares held by the Independent H Shareholders as at the Latest Practicable Date. Accordingly, we are of the view that the Offers provide an opportunity for the Independent Shareholders to realise their holdings of the Shares with limited liquidity in return for cash.

Having also considered:

- (i) our analysis on the Offer Price as set out below;
- (ii) the significance of the Deposit Matter (as at 17 November 2022, the Group’s deposits (including related accrued interests) with GMK Finance that were subject to the Deposit Matter were approximately RMB815.5 million,

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representing approximately 70.5% of the Group's monetary funds and approximately 24.7% of the Group's net assets as at 30 June 2022) and the Early Repayment Risk, which caused the Doubts on Going Concern;

- (iii) that the Group's financial position will be damaged should the Group fail to retrieve the deposits and recover related accrued interests under the Deposit Matter. As advised by the Directors, as at the Latest Practicable Date, the aforesaid deposits remained unavailable for withdrawal and utilisation by the Group for daily operation of the Group; and
- (iv) as illustrated by the statistics under the sub-section headed "2.2 Industry overview" above, it is uncertain as to whether the market conditions in future will be favourable to the Group's principal businesses,

we are also of the view that the Offers provide the Independent Shareholders with an opportunity to realise their investment in Shandong Fengxiang for cash at premium over the recent market prices without having to suffer any illiquidity discount.

Delisting of H Shares

As detailed in the section headed "2. Information of Shandong Fengxiang" above, the Group's net profit decreased from approximately RMB151.62 million for FY2020 to approximately RMB47.08 million for FY2021, representing a decrease of approximately RMB104.54 million or 68.95%, primarily due to (i) increase in costs of animal feed due to increase in price of raw materials such as corn and soybean meal; (ii) increase in selling and marketing expenses; and (iii) decrease in the selling prices of raw chicken meat products.

As illustrated in the sub-section headed "Trading liquidity" above, the H Shares trading volume was thin during the Review Period, the Average Volume of H Shares traded in each month during the Review Period was lower than 1% of (i) the total number of H Shares in issue as at the Latest Practicable Date; and (ii) the total number of issued H Shares held by the Independent H Shareholders as at the Latest Practicable Date.

Having considered that (i) the challenging environment which Shandong Fengxiang operates and the uncertainty as to whether the market conditions in future will be favourable to the Group's principal businesses; and (ii) the delisting of H Shares from the Stock Exchange, if completed, will reduce the costs and management resources associated with the maintenance of the listing status of Shandong Fengxiang on the Stock Exchange and will provide Shandong Fengxiang with flexibility to pursue certain strategic alternatives (the Shareholders (including those who do not opt to accept the Offers) will be indirectly benefited from the Group's cost reduction and business development, if any), we are of the view that the Delisting Resolution is fair and reasonable.

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6. Offer Price comparison

The H Share Offer Price of HK\$1.5132 or the Domestic Share Offer Price of RMB1.3822 represents:

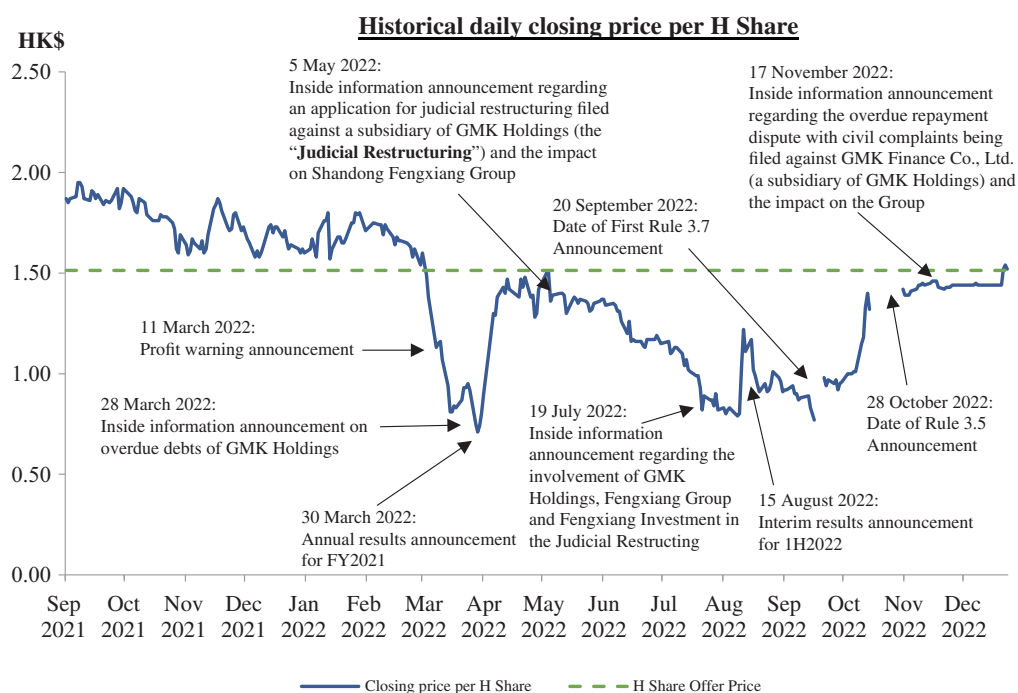
- (i) a discount of approximately 0.45% to the closing price of HK\$1.52 per H Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a premium of approximately 96.52% over the closing price of HK\$0.77 per H Share as quoted on the Stock Exchange on 16 September 2022, being the last trading day immediately preceding the date of the First Rule 3.7 Announcement;
- (iii) a premium of approximately 14.64% over the closing price of HK\$1.32 per H Share as quoted on the Stock Exchange on 14 October 2022, being the Last Trading Day;
- (iv) a premium of approximately 18.22% over the average closing price of approximately HK\$1.28 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 32.74% over the average closing price of approximately HK\$1.14 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 54.41% over the average closing price of approximately HK\$0.98 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 59.28% over the average closing price of approximately HK\$0.95 per H Share as quoted on the Stock Exchange for the last 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a premium of approximately 36.32% over the average closing price of approximately HK\$1.11 per H Share as quoted on the Stock Exchange for the last 120 consecutive trading days immediately prior to and including the Last Trading Day;
- (ix) a premium of approximately 26.10% over the average closing price of approximately HK\$1.20 per H Share as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to and including the Last Trading Day;

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- (x) a discount of approximately 43.11% to the audited consolidated net asset value per Share of approximately RMB2.43 (equivalent to approximately HK\$2.66) as at 31 December 2021, based on a total of 1,400,000,000 Shares in issue as at 31 December 2021 and the Latest Practicable Date and the audited consolidated net asset attributable to the Shareholders of approximately RMB3,399.6 million as at 31 December 2021; and
- (xi) a discount of approximately 41.58% to the unaudited consolidated net asset value per Share of approximately RMB2.36 (equivalent to approximately HK\$2.59) as at 30 June 2022, based on a total of 1,400,000,000 Shares in issue as at 30 June 2022 and the Latest Practicable Date and the unaudited consolidated net asset attributable to the Shareholders of approximately RMB3,307.9 million as at 30 June 2022.

6.1 Historical price performance of the H Shares

Set out below is a chart showing the movement of the closing prices of the H Shares during the Review Period to illustrate the general trend and level of movement of the closing prices of the H Shares.



Source: the Stock Exchange's website

Note: Trading in H Shares was halted (i) with effect from 9:00 a.m. on 19 September 2022 and resumed at 9:00 a.m. on 21 September 2022; and (ii) with effect from 9:00 a.m. on 17 October 2022 and resumed at 9:00 a.m. on 31 October 2022.

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During the Review Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$1.95 recorded on 7 September 2021 and 8 September 2021; and the lowest closing price of H Shares as quoted on the Stock Exchange was HK\$0.71 recorded on 29 March 2022. The H Share Offer Price of HK\$1.5132 (which is equivalent to the Domestic Share Offer Price based on Applicable RMB:HKD Exchange Rate) is within the range of the closing prices of the H Shares and is higher than 188 out of 314 trading days during the Review Period.

From the start of the Review Period up to early-March 2022, the closing price of the H Shares fluctuated between HK\$1.13 to HK\$1.95. The closing price of the H Shares then decreased sharply and reached the lowest of HK\$0.71 during the Review Period. Thereafter, the closing price of H Shares rebounded and reached HK\$1.51 on 4 May 2022 before the closing price of H Shares formed a general decreasing trend (with a rebound in August 2022) and reached HK\$0.77 on the last trading day immediately prior to the First Rule 3.7 Announcement (i.e. 16 September 2022). Save as and except for the possible market reaction on Shandong Fengxiang's announcements as set out in the above H Shares price chart, the Directors were not aware of any specific reasons for the above H Share price fluctuation.

Trading in the H Shares was halted from 9:00 a.m. on 19 September 2022 pending the release of the First Rule 3.7 Announcement. Shandong Fengxiang published the First Rule 3.7 Announcement after trading hours on 20 September 2022 and the trading of H Shares was resumed on 21 September 2022. The closing price of H Shares increased from HK\$0.77 on 16 September 2022 to HK\$0.98 on 21 September 2022. Such increase in H Share closing prices might reflect the market reaction to the First Rule 3.7 Announcement.

Trading in the H Shares was halted again from 9:00 a.m. on 17 October 2022 pending the release of the Joint Announcement. Shandong Fengxiang published the Joint Announcement after trading hours on 28 October 2022 and trading in Shares was resumed on 31 October 2022.

During the period from 31 October 2022 up to the Latest Practicable Date, the closing price of H Shares ranged between HK\$1.39 and HK\$1.54.

6.2 Comparison with other comparable companies

We noted that trading multiples analysis (including price-to-earnings ratio and price-to-book ratio) is a commonly adopted method for the purpose of assessing the fairness and reasonableness of the Offer Price. In this regard, we searched for listed companies in Hong Kong which (i) are principally engaged in similar line of business as Shandong Fengxiang, being poultry breeding in the PRC with more than 50% of their revenue derived from the sale of raw poultry meat and processed poultry meat in the PRC, based on their respective latest published financial information; and (ii) the trading of shares of such listed companies were not halted/suspended for more than three months as at the Latest Practicable Date, for comparison. Nevertheless, we could not find any listed companies which can meet the aforesaid criteria. Accordingly, the trading multiples analysis is impracticable in this case.

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6.3 Comparison with other privatisation transactions

To further assess the fairness and reasonableness of the Offer Price, we searched for past privatisation transactions announced by listed companies in Hong Kong that are principally engaged in poultry breeding in the PRC with more than 50% of their revenue derived from the sale of raw poultry meat and processed poultry meat in the PRC, for the period from 21 September 2021 (being one year prior to the date of First Rule 3.7 Announcement) up to and including the Latest Practicable Date. Nevertheless, we could not find any privatisation transactions of companies listed on the Stock Exchange which can meet the aforesaid criteria. We are of the view that past privatisation transactions of companies listed on the Stock Exchange in different industries (which have different market fundamentals and prospects) may not be a good reference for assessing the fairness and reasonableness of the Offer Price. Therefore, we did not assess the Offer Price by comparison with other privatisation transactions.

Despite that the Offer Price represents discounts of approximately 43.11% and 41.58% to the consolidated net asset value per Share as at 31 December 2021 and 30 June 2022 respectively, taking into account:

- (i) that the H Share Offer Price and the Domestic Share Offer Price (which is equivalent to the H Share Offer Price based on Applicable RMB:HKD Exchange Rate) represents (a) a premium of approximately 96.52% over the closing price of HK\$0.77 per H Share as quoted on the Stock Exchange on 16 September 2022, being the last trading day immediately preceding the date of the First Rule 3.7 Announcement; (b) a premium of approximately 14.64% over the closing price of H Shares as quoted on the Stock Exchange on the Last Trading Day; and (c) premium ranged from approximately 18.22% to 59.28% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 5, 10, 30, 60, 120 and 180 consecutive trading days prior to and including the Last Trading Day; and
- (ii) that the H Share Offer Price and the Domestic Share Offer Price (which is equivalent to the H Share Offer Price based on Applicable RMB:HKD Exchange Rate) is within the range of the closing price of H Shares and is higher than the closing price of H Shares for 188 out of 314 trading days during the Review Period,

we consider the Offer Price to be fair and reasonable.

RECOMMENDATIONS

In relation to the Offers and the Delisting Resolution, taking into account the factors as discussed above, in particular:

- (i) The Offers provide an opportunity for the Independent Shareholders to realise their holdings of the Shares with limited liquidity in return for cash;
- (ii) as concluded in the section headed “Offer Price comparison” above, the Offer Price being fair and reasonable;

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- (iii) as aforementioned, the increase in H Share closing price immediately after the publication of the First Rule 3.7 Announcement might reflect the market reaction to the First Rule 3.7 Announcement. After considering the trend of the H Share closing price before the Offer Period, there is no guarantee that the H Share price will remain at a level close to the H Share Offer Price after the Closing Date. Having considered the aforesaid and taking into account factors (i) to (ii) above, the Offers represent a good opportunity for Independent Shareholders to realise their investment at a premium over the then recent closing prices of H Shares prior to the date of the First Rule 3.7 Announcement;
- (iv) as aforementioned, (a) the challenging environment which Shandong Fengxiang operates and the uncertainty as to whether the market conditions in future will be favourable to the Group's principal businesses; and (b) the delisting of H Shares from the Stock Exchange, if completed, will reduce the costs and management resources associated with the maintenance of the listing status of Shandong Fengxiang on the Stock Exchange and will provide Shandong Fengxiang with flexibility to pursue certain strategic alternatives as aforementioned (the Shareholders (including those who do not opt to accept the Offers) will be indirectly benefited from the Group's cost reduction and business development, if any),

we consider that the terms of the Offers (including the Offer Price) and, the Delisting Resolution are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to (1) accept the Offers; and (2) vote in favour of the Delisting Resolution at the Shareholders Meetings.

Independent Shareholders who tender acceptances of their Shares after the Record Date will be eligible to vote for the Delisting Resolution.

Independent Shareholders who tender acceptances of their Shares before the Record Date will not be eligible to vote for the Delisting Resolution. The Shares tendered for acceptance by such Independent Shareholders will not count toward the total number of the H Shares held by Independent H Shareholders and/or the total number of Shares held by the Independent Shareholders for the purpose of the Delisting Resolution.

The Offeror has no rights under the laws of the PRC and the articles of association of Shandong Fengxiang to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Offer. Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Shares are delisted from the Stock Exchange, subject to the satisfaction of the requirements as set out above for the Delisting Resolution in accordance with Rule 2.2 of the Takeovers Code and the satisfaction of all other Listing Rules requirements, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, after the completion of the Offers, Shandong Fengxiang may or may not continue to be subject to the requirements under the Listing Rules, and may or may not continue to be subject to the Takeovers Code depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code.

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Independent Shareholders should also note that if they do not agree to the proposal relating to the Delisting Resolution, they can vote against the Delisting Resolution at the Shareholders Meetings. If more than 10% of the votes attaching to the H Shares held by Independent H Shareholders and/or more than 10% of the votes attaching to the Shares held by the Independent Shareholders voted against the Delisting Resolution, Shandong Fengxiang would remain listed on the Stock Exchange. For the avoidance of doubt, the Offers are not conditional on the approval of the Delisting Resolution.

We would also like to remind the Independent Board Committee to remind the Independent H Shareholders to closely monitor the market price and liquidity of the H Shares during the Offer Period, and consider selling their H Shares in the open market, where possible, instead of accepting the H Share Offer, if the net proceeds from such sales exceed the net amount receivable under the H Share Offer.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 Procedures for acceptance of the H Share Offer

- (a) To accept the H Share Offer, you should complete and sign the WHITE Form of Acceptance in accordance with the instructions printed on the same, which form part of the H Share Offer.
- (b) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in your name, and you wish to accept the H Share Offer, you must send the duly completed and signed WHITE Form of Acceptance together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the H Share Registrar at Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, in an envelope marked “**Shandong Fengxiang Co., Ltd. — H Share Offer**” as soon as possible but in any event so as to reach the H Share Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in compliance with the requirements of the Takeovers Code.
- (c) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the H Share Offer in respect of your holding of H Shares (whether in full or in part), you must either:
 - (i) lodge your H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the H Share Offer on your behalf and requesting it to deliver in an envelope marked “**Shandong Fengxiang Co., Ltd. — H Share Offer**” the duly completed and signed WHITE Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the H Share Registrar; or
 - (ii) arrange for the H Shares to be registered in your name by Shandong Fengxiang through the H Share Registrar, and deliver in an envelope marked “**Shandong Fengxiang Co., Ltd. — H Share Offer**” the WHITE Form of Acceptance duly completed and signed together with the relevant H Share

certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the H Share Registrar; or

- (iii) if your H Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the H Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your H Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If you have lodged transfer(s) of any of your H Shares for registration in your name and have not yet received your H Share certificate(s), and you wish to accept the H Share Offer in respect of your H Shares, you should nevertheless complete and sign the WHITE Form of Acceptance and deliver it, by post or by hand, in an envelope marked “**Shandong Fengxiang Co., Ltd. — H Share Offer**” to the H Share Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to CMBI or any of its agent(s) to collect from Shandong Fengxiang or the H Share Registrar on your behalf the relevant H Share certificate(s) when issued and to deliver such certificate(s) to the H Share Registrar and to authorise and instruct the H Share Registrar to hold such H Share certificate(s), subject to the terms and conditions of the H Share Offer, as if it was/they were delivered to the H Share Registrar with the WHITE Form of Acceptance.
- (e) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the H Share Offer in respect of your H Shares, the WHITE Form of Acceptance should nevertheless be completed and delivered to the H Share Registrar, by post or by hand, in an envelope marked “**Shandong Fengxiang Co., Ltd. — H Share Offer**” together with a letter stating that you have lost one or more of your H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required

in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the H Share Registrar as soon as possible thereafter. If you have lost your H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the H Share Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the H Share Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (f) Acceptance of the H Share Offer will be treated as effective and valid only if the completed WHITE Form of Acceptance is received by the H Share Registrar on or before the latest time for acceptance of the Offers, being 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and the H Share Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant H Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the H Share Registrar or the Stock Exchange. If the WHITE Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the H Share Registrar must be produced; and

- (iv) inserted in the WHITE Form of Acceptance, the total number of H Shares being equal to that represented by the H Share certificates for H Shares tendered for acceptance of the H Share Offer. If no number is inserted or a number inserted is either greater or smaller than that represented by the H Share certificates for H Shares tendered for acceptance of the H Share Offer or greater than the number of H Shares held by you, the WHITE Form of Acceptance will be returned to you for correction and resubmission. Any corrected WHITE Form of Acceptance must be resubmitted and received by the H Share Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (g) Seller's Hong Kong ad valorem stamp duty payable by the Independent Shareholders who accept the H Share Offer is calculated at a rate of 0.13% of (i) the market value of the H Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the H Share Offer, whichever is higher, and will be deducted from the amount payable by the Offeror to the relevant Independent Shareholder on acceptance of the H Share Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the accepting Independent Shareholders and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the H Share Offer and the transfer of the Offer Shares.
- (h) No acknowledgement of receipt of any Form(s) of Acceptance, H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (i) The address of the H Share Registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

1.2 Procedures for acceptance of the Domestic Share Offer

- (a) If you wish to accept the Domestic Share Offer, you need to send, by post or by hand, the duly completed GREEN Form of Acceptance and those supporting documents required under applicable PRC laws as further described in paragraph (b) below, to Shandong Fengxiang at Liumiao Village, Anle Town, Yanggu County, Liaocheng City, Shandong Province, the PRC no later than 4:00 p.m. on the Closing Date (who will promptly pass the same to the Offeror upon receipt) and pay 50% of the Domestic Share Offer Transfer Fee in accordance with the procedures more particularly set out in paragraph (c) in this section below.

- (b) Acceptance of the Domestic Share Offer will be accepted and treated as valid only if the following documents are received by the Offeror as promptly provided by Shandong Fengxiang no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in compliance with the requirements of the Takeovers Code:
- (i) the duly completed GREEN Form of Acceptance;
 - (ii) the holder securities number (《持有人證券編號》) issued by CSDC;
 - (iii) the application form for share transfer registration (《股份過戶登記申請》) issued by CSDC and duly executed by you;
 - (i) other valid identification documents. For the purposes of registering the transfer of Domestic Shares under the Domestic Share Offer with the CSDC, such valid identification documents include:
 - (1) in respect of a domestic legal person, such legal person is required to provide a photocopy of the business license (營業執照複印件) affixed with official seal of the legal person, certificate of legal representative (《法定代表人證明書》) affixed with official seal of the legal person, and photocopy of identity card of its legal representative affixed with official seal of the legal person; or
 - (2) in respect of a domestic natural person, such natural person is required to provide a photocopy of his/her resident identity card of the PRC; and
 - (ii) in respect of an accepting Shareholder under the Domestic Share Offer which is a legal person, the documents stated below:
 - (1) for those that are not ultimately controlled by a state-owned entity, the written acknowledgment and statement of no objection by the board of directors of the company; or
 - (2) for those that are ultimately controlled by a state-owned entity, the approval documents for acceptance and settlement of the Domestic Offer from the relevant state-owned assets supervision and administration authorities;
 - (iii) such other documents as required by CSDC for the registration of the Domestic Shares (such as the notarised GREEN Form of Acceptance as may be required from CSDC, if any); and

- (iv) if the GREEN Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Offeror must be produced.
- (c) Pursuant to applicable PRC laws, the Domestic Share Offer Transfer Fee, being a transfer fee of RMB0.00050 per Domestic Share to be tendered under the Domestic Share Offer is required to be paid by the Offeror and the relevant accepting Shareholder under the Domestic Share Offer in equal shares. In this connection, after providing a valid GREEN Form of Acceptance that has been duly completed and all such other required documents (as more particularly described in paragraph(b) above) to the Offeror, you shall coordinate with the Offeror to pay 50% of the Domestic Share Offer Transfer Fee to the CSDC on such date and at such time (which shall be made as soon as practicable after the date on which a valid GREEN Form of Acceptance and the required documents as set out in paragraph (b) above have been received by the Offeror) as stipulated by the Offeror by prior written notice to you, by way of telegraphic transfer to such bank account of the CSDC as notified to you in such written notice. For avoidance of doubt, the Offeror will pay an amount equal to 50% of the Domestic Share Offer Transfer Fee to the CSDC on even date of payment being made by you to the CSDC. No invoice or other payment proof will be issued to you by the Offeror regarding the payment of any transfer fees to the CSDC in connection with your acceptance of the Domestic Share Offer.
- (d) In the event that you do not pay 50% of the requisite Domestic Share Offer Transfer Fee to the CSDC in accordance with the Offeror's instructions, the Offeror reserves the right (a) to complete the registration of transfer with the CSDC by paying your share of the Domestic Share Offer Transfer Fee and taking action to demand payment of such share of the Domestic Share Offer Transfer Fee by you to the Offeror thereafter, including legal action where considered necessary; or (b) on the premise that you have failed to comply with your obligation to pay 50% of the requisite Domestic Share Offer Transfer Fee, to immediately demand repayment of the consideration received by you, if any, under the Domestic Share Offer from the Offeror and decline to continue with the registration of the transfer of the Domestic Shares with the CSDC. In the latter circumstance, the acceptance of the Domestic Share Offer by such accepting Shareholder will be deemed to have become void.
- (e) No acknowledgement of receipt of any GREEN Form of Acceptance and any documents that are required to be provided for the acceptance of the Domestic Share Offer as stated in this Composite Document will be given.

- (f) The Offeror will be entitled to reject any acceptance which does not comply with the provisions and instructions contained in this Composite Document and in the GREEN Form of Acceptance, or which is otherwise incomplete, incorrect or invalid in any respect. If you wish to accept the Domestic Share Offer, it is your responsibility to ensure that the GREEN Form of Acceptance is duly completed in all respects and all required documents are provided. A decision by the Offeror to reject any acceptance on the grounds that it has been invalidly, incorrectly or incompletely signed, completed or submitted will be final and binding and the Offeror shall not accept any responsibility or liability for the consequences of such a decision.
- (g) Please note that by completing and sending the GREEN Form of Acceptance to Shandong Fengxiang (who will promptly pass the same to the Offeror), you will be appointing the Offeror as your attorney in respect of all the Domestic Shares to which your acceptance relates.
- (h) In the event that the required documents set out in paragraph (b) above for accepting the Domestic Share Offer are not provided by or before 4:00 p.m. on the Closing Date, you shall be deemed to be declining the acceptance of the Domestic Share Offer.

2. ACCEPTANCE PERIOD AND REVISION

- (a) The Offers are made on 28 December 2022, the date of posting of this Composite Document, and is capable of acceptance on and from this date.
- (b) The Offeror has the right, subject to the Takeovers Code, to extend the Offers after the despatch of this Composite Document or to revise the terms of the Offers, and make any revision to any of the Offers or any subsequent revision thereof to the extent necessary to implement the revised Offers and subject to the consent of the Executive.
- (c) Unless the Executive consents to the extension of the Offers, all acceptances must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the Forms of Acceptance. Assuming that the Delisting Resolution is not approved at any of the Shareholders Meetings on the First Closing Date, each of the H Share Offer and the Domestic Share Offer will be extended to Wednesday, 1 February 2023 (or any other date permitted under the Takeovers Code and by the Executive). Assuming the Delisting Resolution is approved at the Shareholders Meetings but the Delisting Acceptance Condition is not satisfied on the First Closing Date, the Offeror has the right to extend the Closing Date of the Offers but in any event, not later than Friday, 28 April 2023, being the date falling 4 months from the posting of this Composite Document. Assuming the Delisting Resolution is approved at the Shareholders Meetings and the Offeror has received valid acceptances of not less than 90% of the H Shares held by the Independent H Shareholders on the First Closing Date, in compliance with the note to Rule 2.2 and

Rule 15.3 of the Takeovers Code, each of the H Share Offer and the Domestic Share Offer will be opened for acceptance for at least 28 days after the Offeror receives valid acceptances of 90% of the H Shares held by the Independent H Shareholders. The Offeror reserves the right to extend the H Share Offer and the Domestic Share Offer beyond this 28-day period. Written notice must be given to the H Shareholders or the Domestic Shareholders (as the case may be) who have not accepted the H Share Offer or the Domestic Share Offer (as the case may be) as of the First Closing Date.

- (d) If in the course of the Offers, the Offeror revises the terms of the Offers, all Shareholders, whether or not they have already accepted the Offers, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.
- (e) If the Closing Date of the Offers is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offers so extended.
- (f) The acceptance of the Offers by or on behalf of a Shareholder in its original form, shall be treated as an acceptance of the relevant Offer as so revised.
- (g) Any acceptance of the relevant revised Offer and/or any election pursuant thereof shall be irrevocable unless and until the accepting Shareholder of the Offers becomes entitled to withdraw his/her/its acceptance under the paragraph headed “4. EFFECT OF ACCEPTANCE OF THE OFFERS AND RIGHT OF WITHDRAWAL” below and duly does so.

3. SETTLEMENT

- (a) Prior to the Delisting Resolution being approved and the Delisting Acceptance Condition being satisfied, the Offer Price (after deducting seller’s Hong Kong ad valorem stamp duty) payable for the Offer H Shares tendered under the H Share Offer will be posted by cheque within 7 Hong Kong business days (as defined in the Takeovers Code) following the date of receipt of the duly completed and signed Form(s) of Acceptance and all relevant documents by the H Share Registrar from the H Shareholders accepting the H Share Offer and the Offer Price payable for the Offer Domestic Shares tendered under the Domestic Share Offer will be paid by wire transfer as soon as practicable after the date of receipt of the duly completed and signed Form(s) of Acceptance and all relevant documents by Shandong Fengxiang from the Domestic Shareholders accepting the Domestic Share Offer.
- (b) In the case of the H Shareholders accepting the H Share Offer, each cheque for the settlement of the Offer Price will be despatched by ordinary post to the address specified on the relevant H Shareholder’s Form of Acceptance at his/her/its own risk or, if no

name and address is specified, to the H Shareholder or the first-named of H Shareholder (in the case of joint H Shareholders) at the registered address shown in the H Share Register.

- (c) In the case of Domestic Shareholders accepting the Domestic Share Offer, settlement of the Offer Price will be made by wire transfer. As settlement of consideration under the Domestic Share Offer is subject to certain transfer and foreign exchange registration formalities and procedures imposed by CSDC and the State Administration of Foreign Exchange in the PRC which are not within the control of the Offeror, settlement of the consideration in respect of acceptances received under the Domestic Share Offer will be made via wire transfer by the Offeror as soon as reasonably practicable within 7 business days following completion of such transfer and foreign exchange registration formalities imposed by CSDC and the State Administration of Foreign Exchange and the receipt of notice from the relevant Domestic Shareholder in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer Price. However, because (i) such transfer and foreign exchange registration formalities may only be initiated upon receipt of the duly completed acceptance with respect to the Domestic Share Offer, and are expected to take more than 7 business days to complete, and (ii) payment of consideration under Domestic Share Offer can only be made to the accepting Domestic Shareholders after completion of (a) the transfer of the Domestic Shares from the accepting Domestic Shareholders to the Offeror through CSDC, (b) the registration of the change of shareholding structure by Shandong Fengxiang with the relevant local branch of the State Administration of Foreign Exchange, and (c) the opening of a particular bank account by the accepting Domestic Shareholders for the purposes of receiving consideration under Domestic Share Offer, the Offeror will not be able to settle the consideration in respect of a duly completed acceptance received under the Domestic Share Offer within 7 business days following the date of receipt of such acceptance as required under Rule 20.1 of the Takeovers Code. As such, the Offeror has applied to the Executive for, and the Executive has indicated that a waiver from strict compliance with Rule 20.1 of the Takeovers Code for the Domestic Share Offer will be granted.
- (d) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offers will be rounded up to the nearest cent.
- (e) In the case of the H Shareholders accepting the H Share Offer, any cheque(s) not presented for payment within 6 months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror (at 33/F Three Pacific Place, 1 Queen's Road East, Hong Kong) for payment.

- (f) Settlement of the consideration to which a Shareholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

4. EFFECT OF ACCEPTANCE OF THE OFFERS AND RIGHT OF WITHDRAWAL

- (a) Provided that valid acceptance forms and the relevant certificate(s) and/or other document(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the H Share Registrar (in respect of the H Share Offer) or Shandong Fengxiang (in respect of the Domestic Share Offer), the Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights and benefits attaching to them, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offers are made, that is, the date of this Composite Document.
- (b) The acceptance of the Offers by any person will constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offers are sold by such person or persons free from all Encumbrances and together with all rights and benefits attaching thereto as at the date of this Composite Document or subsequently becoming attached to them, and including the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date of this Composite Document.
- (c) The Offers will be made in compliance with the Takeovers Code, which is administered by the Executive. Acceptance of the Offers tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except under Rule 19.2 of the Takeovers Code which provides that, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers set out in the section headed “5. ANNOUNCEMENTS” of this Appendix I, the Executive may require that the Shareholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met. If a right of withdrawal becomes available, an acceptor of the Offers may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the H Share Registrar (for the Offer H Shares) or Shandong Fengxiang (for the Offer Domestic Shares).
- (d) Upon the withdrawal of acceptance by a Shareholder, the Offeror shall (or shall procure), as soon as possible but in any event within 10 days thereof, return by ordinary post, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Share(s) lodged with the Form(s) of Acceptance to such Shareholder.

5. ANNOUNCEMENTS

- (a) The announcement of the level of acceptances of the Offers as at the Record Date will be jointly issued by the Offeror and Shandong Fengxiang and posted on the website of the Stock Exchange on 13 January 2023.
- (b) The announcement of the results of the Offers will be jointly issued by the Offeror and Shandong Fengxiang and posted on the website of the Stock Exchange by 7:00 p.m. on 18 January 2023, being the First Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Takeovers Code and will include, among other things, the results of the Offers.
- (c) If the Offers is extended, the announcement of such extension will state the next Closing Date or a statement that the Offers will remain open until further notice.
- (d) The results announcements shall specify the total number of Shares and rights over Shares:
 - (i) for which acceptances of the Offers have been received;
 - (ii) held, controlled or directed by the Offeror or its concert parties before the Offer Period; and
 - (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or its concert parties.
- (e) The results announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang which the Offeror or its concert parties has/have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.
- (f) The results announcements shall specify the percentages of the relevant classes of share capital of Shandong Fengxiang, and the percentages of voting rights, represented by these numbers.
- (g) If the Offeror, its concert parties or its advisers make(s) any statement about the level of acceptances or the number or percentage of accepting Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.
- (h) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in compliance with Note 1 to Rule 30.2 of the Takeovers Code and in accordance instructions as set out in this Appendix I of this Composite Document and on the applicable Forms of Acceptance, and which have been received by the H Share Registrar (in respect of the H Share Offer) and the Offeror (in respect of the Domestic Share Offer) respectively no later than 4: 00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.

- (i) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offers in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. NOMINEE REGISTRATION

To ensure the equality of treatment of all Shareholders, Shareholders who hold the Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees to accept the Offers, it is essential that they provide instructions of their intentions to the Offers to their respective nominees.

7. POSTING

All documents and remittances (if applicable) to be sent to the Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances (if applicable) will be sent, in the case of Shareholders, at their addresses as they appear in the H Share Register, in the case of joint Shareholders, to the Shareholder whose name appears first in the H Share Register. None of the Offeror, Shandong Fengxiang, CMBI, Octal Capital, Gram Capital, the H Share Registrar or any of their respective directors or agents or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

8. OVERSEAS SHAREHOLDERS

The Offeror intends to make the H Share Offer available to all Shareholders, including those with a registered address in a jurisdiction outside Hong Kong. The availability of the H Share Offer to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions.

The making of the H Share Offer to persons not resident in Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. The overseas shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal or other professional advice. It is the responsibilities of the overseas shareholders who are not resident in Hong Kong and wish to accept the H Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and the filing and payment of any transfer or other taxes due by such overseas shareholders in respect of such jurisdictions).

Any acceptance by Shareholders and beneficial owners of the H Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror, Shandong Fengxiang and their respective advisers that the local laws and regulatory requirements have been complied with. Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Based on the registers of members of Shandong Fengxiang as at the Latest Practicable Date, save for certain Domestic Shareholders who resided in the PRC, none of the other Shareholders is an overseas Shareholder.

Notice to U.S. Holders of H Shares

The H Share Offer will be made for the securities of a joint stock company incorporated in the People's Republic of China with limited liability and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States. In addition, U.S. holders of Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The H Share Offer will be extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO. Accordingly, the H Share Offer will be subject to Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

The receipt of cash pursuant to the H Share Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of H Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the H Share Offer.

U.S. holders of H Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror and Shandong Fengxiang is located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. In addition, most of the assets of the Offeror and Shandong Fengxiang are located outside the United States. U.S. holders of H Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of H Shares may encounter difficulty effecting service of process within the United States upon the Offeror or Shandong Fengxiang or their respective officers or directors or compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, H Shares outside of the United States, other than pursuant to the H Share Offer, before or during the period in which the H Share Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law, including but not limited to the Takeovers Code, and is made outside the United States and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the websites of the SFC at <http://www.sfc.hk> and the Stock Exchange at www.hkexnews.hk.

9. STAMP DUTY AND TAXATION

Hong Kong Stamp Duty

No Hong Kong stamp duty will arise on acceptance of the Domestic Share Offer. The seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the H Share Offer will be payable by the relevant Shareholders at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the H Share Offer, whichever is higher, and will be deducted from the amount payable to the relevant Shareholder on acceptance of the H Share Offer (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded-up to the nearest HK\$1.00). The Offeror will arrange for payment of the sellers' Hong Kong ad valorem stamp duty on behalf of accepting Shareholders and pay the buyer's Hong Kong ad valorem stamp duty in connection with such Offer Shares and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

PRC Stamp Duty

No PRC stamp duty will arise on acceptance of the H Share Offer. A PRC stamp duty arising in connection with acceptances of the Domestic Share Offer will be payable by the relevant Shareholders at a rate of 0.05% of the consideration in respect of the relevant acceptances of the Domestic Share Offer.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with the Offeror, Shandong Fengxiang, CMBI and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities

of, any persons as a result of their acceptance or rejection of the Offers. Each Shareholder who accepts the Offers shall warrant to the Offeror and Shandong Fengxiang that it/he/she shall make necessary filing and settle any income taxes in connection with its/his/her acceptance of the Offers in full amount and within the stipulated time period as required by applicable tax laws and regulations. Each Shareholder who accepts the Offers agrees to indemnify, defend and hold harmless the Offeror from any tax liabilities or tax withholding liabilities imposed under applicable tax laws and regulations upon the Offeror (if applicable), together with any interest, surcharges or penalties with respect thereto, to the extent arising from its/his/her failure to duly and timely make a filing for and pay the income taxes imposed on it/him/her in connection with its/his/her acceptance of the Offers.

10. GENERAL

- (a) All communications, notices, the Forms of Acceptance, Share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and payments to settle the consideration payable under the Offers to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, Shandong Fengxiang, CMBI, Octal Capital, Gram Capital, the H Share Registrar or any of their respective directors or agents or professional advisers or any other person involved in the Offers accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Forms of Acceptance form part of the terms of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or the Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offers.
- (e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, CMBI or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the relevant Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the H Share(s) or the Domestic Share(s) in respect of which such person or persons has/have accepted the relevant Offer.

- (f) The settlement of the consideration to which any Shareholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.
- (g) Any Shareholders accepting the Offers will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (h) In making their decision, Shareholders must rely on their own examination of the Shandong Fengxiang and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, Shandong Fengxiang, CMBI, Octal Capital or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.
- (i) The making of the Offers to the Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such relevant Shareholders may be prohibited or affected by the laws of the relevant jurisdictions from accepting the Offers and it is the responsibility of each relevant Shareholder who wishes to accept the relevant Offer to satisfy himself/herself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the filing and payment of any transfer or other taxes due by such overseas accepting Shareholders in such relevant jurisdictions. Any acceptance by Shareholders and beneficial owners of the H Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror, Shandong Fengxiang and their respective advisers that the local laws and regulatory requirements have been complied with. Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.
- (j) This Composite Document and the Form(s) of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offers in Hong Kong and the operating rules of the Stock Exchange.

11. INTERPRETATION

- (a) A reference in this Composite Document to a Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (b) A reference in this Composite Document and the Form(s) of Acceptance to the Offers shall include any extension thereof.
- (c) A reference in this Composite Document and the Form(s) of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial results of Shandong Fengxiang for each of three years ended 31 December 2019, 31 December 2020 and 31 December 2021, and the unaudited financial information of Shandong Fengxiang for the six months ended 30 June 2021 and 30 June 2022, as extracted from the annual reports of Shandong Fengxiang for the years ended 31 December 2020 (“**2020 Annual Report**”), 31 December 2021 (“**2021 Annual Report**”) and the interim report of Shandong Fengxiang for the six months ended 30 June 2022 (“**2022 Interim Report**”), respectively.

	Year ended 31 December			Six months ended	
	2019	2020	2021	2021	2022
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
				(Restated)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3,926,217	3,901,615	4,416,764	1,969,445	2,443,273
Profit/(Loss) before income tax	838,719	157,562	48,744	(59,060)	(66,754)
Income tax (expense)/credit	(1,338)	(5,947)	(1,669)	1,458	(4,184)
Profit attributable to:	837,381	151,615	47,075	(57,602)	(70,937)
Shareholders of Shandong Fengxiang	837,522	152,640	50,910	(56,949)	(70,937)
Non-controlling interests	(141)	(1,025)	(3,835)	(653)	—
Total comprehensive income attributable to:	837,445	151,506	46,667	(57,842)	(71,487)
Shareholders of Shandong Fengxiang	837,586	152,231	50,502	(57,189)	(71,487)
Non-controlling interests	(141)	(1,025)	(3,835)	(653)	—
Dividends	—	42,000	—	—	—
Dividends per Share	—	0.03	—	—	—
Basic earnings per share (in RMB cents)	80.15	12.64	3.64	(4.11)	(5.08)

Notes:

- The selected financial information for the years ended 31 December 2020 and 2021 were extracted from the 2021 Annual Report and the selected financial information for the six months ended 30 June 2021 and 2022 were extracted from the 2022 Interim Report in which the financial statements of the Group for the corresponding reporting periods were prepared in accordance with China Accounting Standards for Business Enterprises (“**CASBE**”), while the selected financial information for the year ended 31 December 2019 was extracted from the financial statements of the Group in the 2020 Annual Report for the corresponding reporting period prepared in accordance with the International Financial Reporting Standards (“**IFRS**”).

2. Alignment in the Disclosure of Financial Statements in Accordance with the CASBE

Since the date on which the H Shares of Shandong Fengxiang became listed on the Stock Exchange, Shandong Fengxiang has been preparing its financial statements under both CASBE and IFRSs. In order to facilitate the application process of the proposed issue of the A shares of Shandong Fengxiang, and to align the financial information disclosure of Shandong Fengxiang in both markets, the Board considered and approved a resolution on 19 April 2021 in relation to the change of its basis for preparation of the overseas financial statements from IFRSs to CASBE, which was approved by the Shareholders at the annual general meeting held on 28 May 2021 on the proposed amendments to the Articles of Association.

There are no other items of income or expense which are material for the three years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2021 and 2022.

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's reports issued by BDO Limited on the consolidated financial statements of Shandong Fengxiang for the years ended 31 December 2019 and 2020.

The consolidated financial statements of Shandong Fengxiang for the year ended 31 December 2021 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP, who expressed a qualified opinion and material uncertainty related to going concern which has been reproduced below:

“I. QUALIFIED OPINION

We have audited the financial statements of Shandong Fengxiang Co., Ltd. (“**Shandong Fengxiang**”), which comprise the consolidated and Shandong Fengxiang's balance sheets as at 31 December 2021, the consolidated and Shandong Fengxiang's income statements, the consolidated and Shandong Fengxiang's cash flow statements, the consolidated and Shandong Fengxiang's statements of changes in owners' equity for the year then ended, and notes to the financial statements.

We are of the view that, except for the possible impact of matters described in the section “BASIS OF QUALIFIED OPINION”, the accompanying financial statements present fairly, in all material respects, the consolidated and Shandong Fengxiang's financial position as at 31 December 2021 and the consolidated and Shandong Fengxiang's financial performance and cash flows for the year ended 31 December 2021 in accordance with the requirements of Accounting Standards for Business Enterprises.

II. BASIS OF QUALIFIED OPINION

As described in Note X (VIII) to the financial statements, bank deposit balance in the consolidated balance sheet of Fengxiang as at 31 December 2021 included funds amounting to RMB1,041,438,100 deposited with GMK Finance Co., Ltd. (“**GMK Finance**”), which is also controlled by GMK Holdings. As described in Note XIII (I) to the financial statements, GMK Holdings and its subsidiaries had overdue debts. GMK Finance was involved in overdue repayment disputes and litigation. The management of Fengxiang did not provide sufficient supporting evidence regarding the possible impact of the matter on the above deposits and the

reasons for not providing for impairment. Accordingly, we were unable to obtain sufficient and appropriate audit evidence regarding the recoverability of the above amounts to make a judgment as to whether adjustments to the related financial statement items are necessary.

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of Fengxiang in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

III. MATERIAL UNCERTAINTIES IN RELATION TO GOING CONCERN

We would like to draw the attention of users of the financial statements to the fact that as at 31 December 2021 as stated in Note II (II) to the financial statements, Shandong Fengxiang’s controlling shareholder, GMK Holdings and its subsidiaries provided joint liability guarantee for the bank borrowings amounting to RMB1,078,000,000 of Fengxiang. Due to the overdue debts issue of the above guarantors as described in Note XIII (I), there is a risk that the bank borrowings of Fengxiang will be called for early repayment. Such matters, together with other circumstances as described in Note II (II) to the financial statements, indicate the existence of material uncertainties that may cast significant doubt about the ability of Fengxiang to continue as a going concern. This matter does not affect the expressed audit opinion.”

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF SHANDONG FENGXIANG FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021

Shandong Fengxiang is required to set out or refer to in this Composite Document the consolidated statements of comprehensive income, the consolidated balance sheets, the consolidated statements of cash flows and the consolidated statements of changes of equity as shown in (i) the audited consolidated financial statements of Shandong Fengxiang for the year ended 31 December 2019 (the “**2019 Financial Statements**”); (ii) the audited consolidated financial statements of Shandong Fengxiang for the year ended 31 December 2020 (the “**2020 Financial Statements**”); (iii) the audited consolidated financial statements of Shandong Fengxiang for the year ended 31 December 2021 (the “**2021 Financial Statements**”); (iv) the unaudited statements of profit and loss and other comprehensive income of Shandong Fengxiang for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”); and (v) the unaudited statements of profit and loss and other comprehensive income of Shandong Fengxiang for the six months ended 30 June 2022 (the “**2022 Interim Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out in Appendix I of the accountant's report in Shandong Fengxiang's prospectus (the "**Prospectus**") which was published on 30 June 2020 on the websites of Shandong Fengxiang (<http://www.fengxiang.com/>) and the Stock Exchange (<http://www.hkexnews.hk/>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0630/2020063000153.pdf>

The 2020 Financial Statements are set out from pages 135 to 235 in the annual report of Shandong Fengxiang for the year ended 31 December 2020 (the "**2020 Annual Report**") which was published on 22 April 2021 on the websites of Shandong Fengxiang (<http://www.fengxiang.com/>) and the Stock Exchange (<http://www.hkexnews.hk/>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042201742.pdf>

The 2021 Financial Statements are set out from pages 135 to 343 in the annual report of Shandong Fengxiang for the year ended 31 December 2021 (the "**2021 Annual Report**") which was published on 28 April 2022 on the websites of Shandong Fengxiang (<http://www.fengxiang.com/>) and the Stock Exchange (<http://www.hkexnews.hk/>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801070.pdf>

The 2021 Interim Financial Statements are set out from pages 48 to 156 in the interim report of Shandong Fengxiang for the six months ended 30 June 2021 (the "**2021 Interim Report**") which was published on 27 September 2021 on the websites of Shandong Fengxiang (http://www.fengxiang.com) and the Stock Exchange (http://www.hkexnews.hk) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0927/2021092700441.pdf>

The 2022 Interim Financial Statements are set out from pages 50 to 168 in the interim report of Shandong Fengxiang for the six months ended 30 June 2022 (the "**2022 Interim Report**") which was published on 22 August 2022 on the websites of Shandong Fengxiang (<http://www.fengxiang.com/>) and the Stock Exchange (<http://www.hkexnews.hk/>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0822/2022082200325.pdf>

The 2019 Financial Statements, the 2020 Financial Statements, the 2021 Financial Statements and the 2022 Interim Financial Statements (but not any other part of the Prospectus, the 2020 Annual Report, the 2021 Annual Report and the 2022 Interim Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. STATEMENT OF INDEBTEDNESS

Indebtedness

As at the close of business on 31 October 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the Group had (i) secured bank borrowings of approximately RMB1,335.9 million; (ii) finance lease liabilities of approximately RMB83.6 million; and (iii) lease liabilities of approximately RMB266.0 million.

The securities of the secured bank borrowings of the as at 31 October 2022 are as follows:

1. mortgages of the Group's land situated in the PRC with an aggregate net carrying values of approximately RMB108.2 million as at 31 October 2022; and
2. pledge of certain of the Group's property, plant and equipment with the aggregate net carrying amount of approximately RMB1,491.1 million as at 31 October 2022.

Save as disclosed above, and apart from intra-group liabilities and normal accounts payables in the ordinary course of business of the Group, the Group did not have any bank overdrafts, loans or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that save as and except for the below, there was no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date on which the latest published audited consolidated financial statements of Shandong Fengxiang were made, up to and including the Latest Practicable Date:

1. as disclosed in the interim report of the Company for the six months ended 30 June 2022 (“HY2022”) dated 15 August 2022,
 - (i) the unaudited net loss attributable to shareholders of the Company increased by approximately RMB9.3 million from approximately RMB61.7 million for the six months ended 30 June 2021 to approximately RMB70.9 million for HY2022, which was mainly attributable to the increase in selling expenses (which mainly include sales and promotion expenses, employee compensation, travel expenses and others) and finance costs (which mainly include net interest expenses) of the Group;
 - (ii) the revenue of the Group increased by approximately RMB473.9 million or 24.1% from approximately RMB1,969.4 million for HY2021 to approximately RMB2,443.3 million for HY2022, which was mainly due to the increase in sales volume and revenue from processed chicken meat products and raw chicken meat

products contributed by increase in revenue generated from (a) Mainland China of approximately RMB121.8 million and (b) export business to Europe and Malaysia of approximately RMB188.4 million and RMB140.4 million respectively;

- (iii) the unaudited net cash flows generated from operating activities increased from approximately RMB24.8 million for HY2021 to approximately RMB379.2 million for HY2022, which was mainly due to the cash received from the sales of goods and rendering of services resulted from the increase in revenue as discussed above; and
 - (iv) the unaudited net cash flows in relation to financing activities decreased from an inflow of approximately RMB596.5 million for HY2021 to an outflow of approximately RMB614.8 million for HY2022, which was mainly due to the increase in debt repayment and decrease in cash received from borrowings during HY2022.
2. as disclosed in the announcements of the Company dated 28 March 2022 and 17 November 2022, the Group's deposits with GMK Finance were already unavailable for withdrawal and utilisation by the Group for daily operation. In addition, there was an overdue payment for deposit interests from GMK Finance to the Group. As at 17 November 2022, the Group's deposits (including related accrued interests) with GMK Finance were approximately RMB815.5 million.

1. RESPONSIBILITY STATEMENT

As at the date of this Composite Document, the Board comprises Mr. Liu Zhiguang, Mr. Xiao Dongsheng, Ms. Zhou Jinying and Mr. Shi Lei as executive Directors; Mr. Liu Xuejing and Mr. Zhang Chuanli as non-executive Directors; and Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man as independent non-executive Directors. The information in this Composite Document relating to Shandong Fengxiang has been supplied by the Directors. The issue of this Composite Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document in relation to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed by them in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

As at the date of this Composite Document, the general partner of the Offeror is Falcon Holding GP Limited. As at the date of this Composite Document, the director of Falcon Holding GP Limited are David Jaemin Kim, Sujey Subramanian and Koichi Ito.

As at the date of this Composite Document, the directors of PAG Asia Capital GP IV Limited (being the general partner of PAG Fund IV) are Jon Robert Lewis, Derek Roy Crane, David Alan Fowler and Noel Patrick Walsh.

The directors of Falcon Holding GP Limited (being the general partner of the Offeror) and PAG Asia Capital GP IV Limited (being the general partner of PAG Fund IV, the sole limited partner of the Offeror as at the date of this Composite Document) jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that in relation to Shandong Fengxiang) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this Composite Document (other than those expressed by Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL OF SHANDONG FENGXIANG

Registered and issued share capital

As at the Latest Practicable Date, the registered share capital of Shandong Fengxiang is RMB1,400,000,000, divided into 1,400,000,000 shares of with a nominal value of RMB1.00 each.

The table below sets out the issued share capital of Shandong Fengxiang as at the Latest Practicable Date:

Issued share capital	<i>RMB</i>
1,045,000,000 Domestic Shares	1,045,000,000
355,000,000 H Shares	<u>355,000,000</u>
Total	<u>1,400,000,000</u>

All the Shares in issue rank *pari passu* to each other, including as to rights in respect of capital, voting rights and dividend, except that payment of dividend will be made in RMB to the Domestic Shareholders and in HKD to H Shareholders.

The number of Shares in issue as at 31 December 2021, being the date to which the latest audited consolidated financial statements of the Group were made up, was 1,400,000,000, with 1,045,000,000 Domestic Shares and 355,000,000 H Shares. Shandong Fengxiang has not issued any Shares since that date up to the Latest Practicable Date.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22) issued by Shandong Fengxiang.

The H Shares are listed and traded on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

3. MARKET PRICES

The table below shows the closing prices of the H Shares as quoted on the Stock Exchange (i) on the last trading day of each of the six (6) calendar months preceding the date of the First Rule 3.7 Announcement; (ii) on 16 September 2022, being the last trading day prior to the publication of the First Rule 3.7 Announcement; (iii) on the last trading day of September 2022; (iv) on 14 October 2022 (being the Last Trading Day prior to the publication of the Joint Announcement); (v) on the last trading day of October 2022; and (vi) on the Latest Practicable Date.

Date	H Share price <i>HK\$</i>
31 March 2022	0.80
29 April 2022	1.42
31 May 2022	1.37
30 June 2022	1.15
29 July 2022	0.82
31 August 2022	0.91
16 September 2022	0.77
30 September 2022	0.96
14 October 2022 (the Last Trading Day prior to the publication of the Joint Announcement)	1.32
31 October 2022	1.42
30 November 2022	1.44
23 December 2022 (the Latest Practicable Date)	1.52

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$1.54 on 22 December 2022 and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$0.71 on 29 March 2022.

4. DISCLOSURE OF INTEREST

Interests of the Directors, supervisors and chief executives of Shandong Fengxiang in the securities of Shandong Fengxiang and the securities of the associated corporations of Shandong Fengxiang

As at the Latest Practicable Date, the interests or short positions of the Directors, supervisors and chief executives of Shandong Fengxiang in the Shares, underlying Shares or debentures of Shandong Fengxiang or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by Shandong Fengxiang pursuant to Section 352 of the SFO, or as otherwise notified to Shandong Fengxiang and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules, or as required to be disclosed under the Takeovers Code, are set out as follows:

Name of Directors/Supervisors	Nature of Interest	Class of Shares	Number of Shares	Approximate percentage of interest in the relevant class of Shares of Shandong Fengxiang	Approximate percentage of interest in the total share capital of Shandong Fengxiang
Mr. Zhang Chuanli	Beneficial owner	Domestic Shares	2,703,000	0.26%	0.19%
Mr. Xiao Dongsheng	Beneficiary of a trust	H Shares	2,976,000	0.84%	0.21%
	Beneficial owner	H Shares	240,000	0.07%	0.02%
Ms. Zhou Jinying	Beneficiary of a trust	H Shares	2,465,000	0.69%	0.18%
	Beneficial owner	H Shares	140,000	0.04%	0.01%
Mr. Shi Lei	Beneficiary of a trust	H Shares	506,000	0.15%	0.03%
	Beneficial owner	H Shares	80,000	0.02%	0.01%
Ms. Lian Xianmin	Beneficiary of a trust	H Shares	301,600	0.08%	0.02%
	Beneficiary owner	H Shares	40,000	0.01%	0.003%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of Shandong Fengxiang had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of Shandong Fengxiang and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to Shandong Fengxiang and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required,

pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to Shandong Fengxiang and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeovers Code.

Interests of substantial shareholders in the securities of Shandong Fengxiang

As at the Latest Practicable Date, the interests or short positions of the following persons (other than Directors, supervisors and chief executives of Shandong Fengxiang) or corporations in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Shares held as at the Latest Practicable Date		Shares held in the total share capital of Shandong Fengxiang as at the Latest Practicable Date	
			Number of Shares	Approximate percentage of respective class of shares	Number of Shares	Approximate percentage of the total share capital
The Offeror	Beneficial owner	Domestic Shares	992,854,500	95.01%	992,854,500	70.92%
Hwa-An International Limited	Beneficial owner	H Shares	34,909,000	9.83%	34,909,000	2.49%
Dragonstone Capital Management Limited	Investment manager	H Shares	31,808,000	8.96%	31,808,000	2.27%
CICFH New Dynamic Investment SPC	Beneficial owner	H Shares	29,705,000	8.37%	29,705,000	2.12%
Futu Trustee Limited ^(Note)	Trustee	H Shares	17,883,000	5.04%	17,883,000	1.28%

Note: As at the Latest Practicable Date, Futu Trustee Limited held 21,133,000 H Shares, representing 5.95% of the total issued H Shares and 1.51% of the total Shares in issue.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors, no person (other than Directors, supervisors and chief executives of Shandong Fengxiang) or corporations had an interest or short position in the Shares or underlying Shares (including but not limited to any options, derivatives, warrants, other securities convertible into shares) which were required to be disclosed to Shandong Fengxiang under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by Shandong Fengxiang pursuant to Section 336 of the SFO.

Interests and dealings discloseable under the Takeovers Code

As at the Latest Practicable Date:

- save as disclosed under the section headed “Shareholding Structure of Shandong Fengxiang” to this Composite Document, neither the Offeror nor parties acting in concert with it owned or had control or direction over any interests in the Shares, options, derivatives, warrants, other securities convertible into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Shandong Fengxiang;
- no directors of Falcon Holding GP Limited and PAG Asia Capital GP IV Limited were interested (within the meaning of Part XV of the SFO) in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- none of the Offeror and the parties acting in concert with it has received any irrevocable commitment to vote in favour of or against the resolutions to be proposed at the Shareholders Meetings, or to accept or reject the Offers;
- save for the Acquisition through the Auction and pursuant to the SPA, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any person acting in concert with it, and any other person;
- save for the Acquisition through the Auction and pursuant to the SPA, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Offeror or any person acting in concert with in had dealt in value in the Shares or other relevant securities (as defined in Note 4 to Rule 22) in Shandong Fengxiang during the Relevant Period;
- neither the Offeror nor any parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22) in Shandong Fengxiang;
- save for (i) the Acquisition through the Auction and pursuant to the SPA and (ii) the dealings in the Shares by CMBI group which are conducted on a non-discretionary basis for and on behalf of its clients, none of the Offeror, the directors of Falcon Holding GP Limited, or any parties acting in concert with the Offeror had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares or other relevant securities (as defined in Note 4 to Rule 22) in Shandong Fengxiang during the Relevant Period;
- there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any party acting in concert with it on the one hand, and any Shareholder on the other; and

- there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any party acting in concert with it on the one hand, and the Vendors and any party acting in concert with it on the other.

Interests and dealings discloseable under the Takeovers Code

As at the Latest Practicable Date:

- Shandong Fengxiang was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror and Shandong Fengxiang had not dealt for value in the shares or relevant securities of the Offeror during the Relevant Period;
- save as disclosed under the section headed “Shareholding Structure of Shandong Fengxiang” to this Composite Document, none of the Directors was interested (within the meaning of Part XV of the SFO) in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang or the Offeror. Other than Mr. Zhang Chuanli (a non-executive Director), who acquired 2,703,000 domestic shares of Shandong Fengxiang on 22 April 2022 at nil consideration, and each of Mr. Xiao Dongsheng, Ms. Zhou Jinying and Mr. Shi Lei (all executive Directors), being vested with an aggregate of 240,000, 140,000 and 80,000 awarded shares under the 2020 Share Award Scheme by 30 June 2022, respectively, none of the Directors had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang or the Offeror during the Relevant Period;
- other than the 2020 SAS Trustee and 2021 SAS Trustee, none of the subsidiaries of Shandong Fengxiang, the pension fund of Shandong Fengxiang or of its subsidiaries, or a person who is presumed to be acting in concert with Shandong Fengxiang by virtue of class (5) of the definition of “acting in concert” or who is an associate of Shandong Fengxiang by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang, or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang during the period commencing on the commencement date of the Offer Period up to and including the Latest Practicable Date;
- no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Shandong Fengxiang or with any person who is presumed to be acting in concert with Shandong Fengxiang by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of Shandong Fengxiang by virtue of classes (2), (3) and (4) of the definition of “associate”

under the Takeovers Code, and no such person had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang during the period commencing on the commencement date of the Offer Period up to and including the Latest Practicable Date;

- (v) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang were managed on a discretionary basis by fund managers (other than any exempt fund managers) connected with Shandong Fengxiang, and no such person had dealt in any relevant securities in Shandong Fengxiang during the period commencing on the commencement date of the Offer Period up to and including the Latest Practicable Date;
- (vi) each of Mr. Zhang Chuanli, Ms. Zhou Jinying, Mr. Xiao Dongsheng and Mr. Shi Lei was a Director holding Shares in Shandong Fengxiang as at the Latest Practicable Date. Each of Mr. Zhang Chuanli and Ms. Zhou Jinying has indicated that he/she intends to reject the Offers, and each of Mr. Xiao Dongsheng and Mr. Shi Lei has indicated that he intends to accept the Offers in respect of not more than 25% of their respective shareholding in Shandong Fengxiang and will continue to hold the remaining Shares even if the Delisting Resolution is approved at the General Meeting, in each case in compliance with the requirements under Article 46 of the articles of association of Shandong Fengxiang and Section 141 of the PRC Company Law (being that during his/her term of office as a Director, such Director may transfer no more than 25% of the total number of his/her Shares every year). As at the Latest Practicable Date, there is no agreement, arrangement or understanding between the Offeror and the abovementioned Directors in respect of the remaining Shares held by such Directors;
- (vii) Ms. Zhou Jinying has indicated that she intends to vote against the Delisting Resolution at the General Meeting and (as applicable) the H Share Class Meeting, and each of Mr. Zhang Chuanli, Mr. Xiao Dongsheng and Mr. Shi Lei has indicated that he intends to vote in favour of the Delisting Resolution in the General Meeting and (as applicable) the H Share Class Meeting; and
- (viii) none of Shandong Fengxiang or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang.

Other interests

As at the Latest Practicable Date:

- (1) there was no agreement, arrangement or understanding pursuant to which the Shares acquired by the Offeror under the Acquisition or the Offers would be transferred, charged or pledged to any other persons;

- (2) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (3) save for the Acquisition through the Auction and pursuant to the SPA and the arrangements as set out in the paragraph headed “Proposed change of the Board” in the “Letter from CMBI” and the “Letter from the Board” of this Composite Document, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers;
- (4) save for the arrangement of retirements as set out in the paragraph headed “Proposed change of the Board” in the “Letter from CMBI” and the “Letter from the Board” of this Composite Document, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (5) save for the SPA and the Supplemental SPA, there is no material contract entered into by the Offeror in which any Directors has a material personal interest;
- (6) save for the Acquisition through the Auction and pursuant to the SPA, and the Acquisition Conditions/Transfer Procedures thereunder, there is no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or, a condition to the Offers;
- (7) there was no existing holding of voting rights and rights over the Shares in respect of which the Offeror or any parties acting in concert with it had received any irrevocable commitment in respect of voting at the Shareholders Meetings and/or any irrevocable commitment to accept the Offers;
- (8) there was no outstanding derivative in respect of securities in Shandong Fengxiang entered into by the Offeror or any parties acting in concert with it;
- (9) apart from the Acquisition Consideration, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any parties acting in concert with it to the Vendors or any party acting in concert with the Vendors in connection with the sale and purchase of the Sale Shares; and
- (10) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between Shandong Fengxiang, its subsidiaries or associated companies on the one hand, and any Shareholder on the other.

5. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into any service contract with Shandong Fengxiang or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by Shandong Fengxiang within one year without payment of compensation (other than statutory compensation).

Director	Date of letter of appointment	Expiry date of letter of appointment	Emolument
Ms. Zhou Jinying	31 May 2022	the expiration of the term of the fourth session of the Board	Nil
Mr. Shi Lei	31 May 2022	the expiration of the term of the fourth session of the Board	Nil

6. MATERIAL CONTRACTS

There were no material contracts entered into by Shandong Fengxiang or any of its subsidiaries after the date which was two years before commencement of the Offer Period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by Shandong Fengxiang or any of its subsidiaries.

7. LITIGATION

As at the Latest Practicable Date, there was no material litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. PROFESSIONAL PARTIES AND CONSENTS

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Composite Document:

Name	Qualifications
CMB International Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Gram Capital Limited	A licensed corporation to carry out Type 6 regulated activity under the SFO

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of the opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.

Octal Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the references to its name in the form and context in which it appears.

9. MISCELLANEOUS

- a. The Offeror is a limited partnership formed in the Cayman Islands. The registered office of the Offeror is at P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, KY1-1106, Cayman Islands. The Hong Kong corresponding address office of the Offeror is at 33/F Three Pacific Place, 1 Queen's Road East, Hong Kong.
- b. The general partner of the Offeror is Falcon Holding GP Limited. Falcon Holding GP Limited is a company incorporated in the Cayman Islands and is directly 100% owned by PAG Capital Limited. The registered office of Falcon Holding GP Limited is at P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The directors of Falcon Holding GP Limited are David Jaemin Kim, Sujey Subramanian and Koichi Ito. The Hong Kong corresponding address office of Falcon Holding GP Limited is at 33/F Three Pacific Place, 1 Queen's Road East, Hong Kong.
- c. As at the Latest Practicable Date, the sole limited partner of the Offeror is PAG Fund IV. The general partner of PAG Fund IV is PAG Asia Capital GP IV Limited, being a company directly 100% owned by PAG Capital Limited. The registered office of PAG Asia Capital GP IV Limited is at P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. PAG Capital Limited is controlled by Pacific Alliance Group Limited, which is in turn wholly-owned by PAG.
- d. CMBI is the financial adviser to the Offeror in respect of the Transactions. The address of CMBI is at 45/F, Champion Tower, 3 Garden Road, Central, Hong Kong.
- e. The registered office and headquarters in the PRC of Shandong Fengxiang is at Liumiao Village, Anle Town, Yanggu County Liaocheng City, Shandong Province PRC and the principal place of business in Hong Kong of Shandong Fengxiang is at 14th Floor, Golden Centre 188 Des Voeux Road Central Hong Kong.
- f. The H Share Registrar is Computershare Hong Kong Investor Services Limited, which is situated at Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong.

- g. The registered office of Gram Capital is at Room 1209, 12/F., Nan Fung Tower, 88 Connaught Road Central, 173 Des Voeux Road Central, Central, Hong Kong.
- h. The English text of this Composite Document, the Forms of Acceptance and the forms of proxy shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of Shandong Fengxiang at <http://www.fengxiang.com>; (ii) on the website of the SFC at www.sfc.hk; and (iii) on the website of the Stock Exchange at www.hkexnews.hk from the date of this Composite Document up to and including the Closing Date:

- (i) the articles of association of Shandong Fengxiang;
- (ii) the annual reports for each of the years ended 31 December 2020 and 2021 of Shandong Fengxiang;
- (iii) the interim reports for each of the six months ended 30 June 2021 and 2022 of Shandong Fengxiang;
- (iv) the prospectus of Shandong Fengxiang dated 30 June 2020;
- (v) the letter from CMBI, the text of which is set out from pages 12 to 23 of this Composite Document;
- (vi) the letter from the Board, the text of which is set out from pages 24 to 35 of this Composite Document;
- (vii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out from pages 36 to 37 of this Composite Document;
- (viii) the letter from Gram Capital, the text of which is set out from pages 38 to 58 of this Composite Document;
- (ix) the written consents referred to in the section headed “8. Professional parties and consents” of this Appendix III;
- (x) the service contracts referred to in the section headed “5. Service contracts of Directors” in this Appendix III;
- (xi) the SPA and the Supplemental SPA; and
- (xii) this Composite Document, the accompanying Forms of Acceptance and the proxy forms for the General Meeting and the H Share Class Meeting.



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)

NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the first extraordinary general meeting of Shandong Fengxiang Co., Ltd. (the “**Company**”) for the year 2023 (the “**General Meeting**”) will be held at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC on Wednesday, 18 January 2023 at 9:00 a.m. for the purposes of considering and, if thought fit, with or without amendments, the following resolutions. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the composite document dated 28 December 2022 jointly issued by the Company and Falcon Holding LP (the “**Composite Document**”).

SPECIAL RESOLUTIONS

1. “**THAT:**

- (a) subject to (i) the passing of this same resolution by the Independent H Shareholders at the H Share Class Meeting, as approved by way of poll by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy and with the number of votes cast against the resolution by the Independent H Shareholders being not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders, (ii) the passing of this same resolution by the Independent Shareholders at the General Meeting, as approved by way of poll by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy and with the number of votes cast against the resolution by the Independent Shareholders being not more than 10% of the votes attaching to all the Shares held by the Independent Shareholders, and (iii) minimum valid acceptances of the H Share Offer amounting to not less than 90% of the H Shares held by Independent H Shareholders, the voluntary withdrawal of the listing of the H Shares from the Stock Exchange, be and is hereby approved; and

- (b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the voluntary withdrawal as referred to in paragraph (a) above.”

By order of the board of directors
Shandong Fengxiang Co., Ltd.
Shi Lei
Executive director and company secretary

Shandong, the PRC, 28 December 2022

Notes:

1. The holders of H shares and domestic shares whose names appear on the registers of the members of the Company on Friday, 13 January 2023 are entitled to attend and (if applicable) vote at the General Meeting. For the purpose of determining the Shareholders' eligibility to attend and vote at the General Meeting, the register of members of the Company will be closed from Friday, 13 January 2023 to Wednesday, 18 January 2023, both days inclusive, during which no transfer of shares can be registered. All transfer documents together with the relevant share certificates must be lodged for registration with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's registered office at Liumiao Village, Anle Town, Yanggu County, Liaocheng City, Shandong Province, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Thursday, 12 January 2023.
2. Any shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf. A proxy need not be a shareholder.
3. A proxy shall be appointed by an instrument in writing (including the proxy form). Such instrument shall be signed by the appointor or his/her attorney duly authorised in writing. If the appointor is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. In order to be valid, the instrument appointing the proxy shall be deposited at the Company's H Share Registrar in Hong Kong (for holders of H Shares) or at the address of the Company's registered office in the PRC (for holders of Domestic Shares) not less than 24 hours before the time appointed for holding the General Meeting (i.e. not later than 9:00 a.m. on Tuesday, 17 January 2023) or any adjourned meeting (as the case may be). If the instrument appointing the proxy is signed by a person authorised by the appointor, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H share registrar in Hong Kong or the address of the Company's registered office in the PRC (as may be applicable).

Completion and return of the proxy form will not preclude shareholders of the Company from attending and voting in person at the General Meeting or any of its adjourned meetings should they so wish.
4. Shareholders or their proxies are required to produce their identification documents when attending the General Meeting.
5. Miscellaneous
 - i. It is expected that the General Meeting will last for half a day. All attending shareholders shall arrange for their transportation and accommodation and shall bear all their own expenses in connection with their attendance.

ii. Details on the abovementioned resolutions to be considered and approved at the General Meeting are set out in the Composite Document in respect of the General Meeting dated 28 December 2022.

iii. The address of Computershare Hong Kong Investor Services Limited is:

Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990

iv. The address of the registered office and principal place of business of the Company is:

Liumiao Village
Anle Town
Yanggu County
Liaocheng City
Shandong Province
PRC
Tel: (86) 635 713 8018
Fax: (86) 635 713 6002 166

6. References to dates and times in this notice are to Hong Kong dates and times.

As at the date of this notice, the Board comprises Mr. Liu Zhiguang, Mr. Xiao Dongsheng, Ms. Zhou Jinying and Mr. Shi Lei as executive Directors; Mr. Liu Xuejing and Mr. Zhang Chuanli as non-executive Directors; and Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man as independent non-executive Directors.



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)

NOTICE OF THE 2023 FIRST H SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN THAT that the class meeting of the holders of H shares (the “**H Share Class Meeting**”) of Shandong Fengxiang Co., Ltd. (the “**Company**”) will be held at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC on Wednesday, 18 January 2023 at 10:00 a.m., or immediately after the conclusion of the General Meeting or any adjournment thereof (whichever is the later) on Wednesday, 18 January 2023 for the purposes of considering and, if thought fit, with or without amendments, the following resolutions. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the composite document dated 28 December 2022 jointly issued by the Company and Falcon Holding LP (the “**Composite Document**”).

SPECIAL RESOLUTIONS

1. “**THAT:**

- (a) subject to (i) the passing of this same resolution by the Independent H Shareholders at the H Share Class Meeting, as approved by way of poll by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy and with the number of votes cast against the resolution by the Independent H Shareholders being not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders, (ii) the passing of this same resolution by the Independent Shareholders at the General Meeting, as approved by way of poll by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy and with the number of votes cast against the resolution by the Independent Shareholders being not more than 10% of the votes attaching to all the Shares held by the Independent Shareholders, and (iii) minimum valid acceptances of the H Share Offer amounting to not less than 90% of the H Shares held by Independent H Shareholders, the voluntary withdrawal of the listing of the H Shares from the Stock Exchange, be and is hereby approved; and

- (b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the voluntary withdrawal as referred to in paragraph (a) above.”

By order of the board of directors
Shandong Fengxiang Co., Ltd.
Shi Lei
Executive director and company secretary

Shandong, the PRC, 28 December 2022

Notes:

1. The holders of H Shares whose names appear on the register of H Shareholders of the Company on Friday, 13 January 2023 are entitled to attend and (if applicable) vote at the H Share Class Meeting. For the purpose of determining the Shareholders' eligibility to attend and vote at the H Share Class Meeting, the register of H Shareholders of the Company will be closed from Friday, 13 January 2023 to Wednesday, 18 January 2023, both days inclusive, during which no transfer of Shares can be registered. All transfer documents together with the relevant share certificates must be lodged for registration with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 12 January 2023.
2. Any H Shareholder entitled to attend and vote at the H Share Class Meeting is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf. A proxy need not be a Shareholder.
3. A proxy shall be appointed by an instrument in writing (including the proxy form). Such instrument shall be signed by the appointor or his/her attorney duly authorised in writing. If the appointor is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H share registrar not less than 24 hours before the time appointed for holding the H Share Class Meeting (9:00 a.m. on Tuesday, 17 January 2023) or any adjourned meeting. If the instrument appointing the proxy is signed by a person authorised by the appointor, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H share registrar in Hong Kong.

Completion and return of the proxy form will not preclude shareholders of the Company from attending and voting in person at the H Share Class Meeting or any of its adjourned meetings should they so wish.

4. H Shareholders or their proxies are required to produce their identification documents when attending the H Share Class Meeting.
5. Miscellaneous
 - i. It is expected that the H Share Class Meeting will last for half a day. All attending H Shareholders shall arrange for their transportation and accommodation and shall bear all their own expenses in connection with their attendance.
 - ii. Details on the abovementioned resolutions to be considered and approved at the H Share Class Meeting are set out in the Composite Document in respect of the H Share Class Meeting dated 28 December 2022.

iii. The address of Computershare Hong Kong Investor Services Limited is:

Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990

6. References to dates and times in this notice are to Hong Kong dates and times.

As at the date of this notice, the Board comprises Mr. Liu Zhiguang, Mr. Xiao Dongsheng, Ms. Zhou Jinying and Mr. Shi Lei as executive Directors; Mr. Liu Xuejing and Mr. Zhang Chuanli as non-executive Directors; and Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man as independent non-executive Directors.