

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Shandong Fengxiang Co., Ltd., you should at once hand this circular and the enclosed proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its 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 circular.

---



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)**

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:  
DEPOSIT SERVICE FRAMEWORK AGREEMENT;  
PROPOSED RE-ELECTION AND APPOINTMENT OF DIRECTORS OF  
THE FOURTH SESSION OF THE BOARD OF DIRECTORS;  
PROPOSED RE-ELECTION AND APPOINTMENT OF SUPERVISORS OF  
THE FOURTH SESSION OF THE BOARD OF SUPERVISORS;  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
AND  
NOTICE OF 2020 THIRD EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



---

A notice convening the EGM to be held at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC on Friday, 6 November 2020 at 9:00 a.m. is set out on pages 65 to 68 of this circular and the proxy form for use are enclosed herewith and also published on both the websites of the Stock Exchange (<http://www.hkexnews.com.hk>) and the Company (<http://www.fengxiang.com/>).

Whether or not you intend to attend the EGM, please complete and sign the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's registered office at Liumiao Village, Anle Town, Yanggu County, Liaocheng City, Shandong Province, PRC (for holders of Domestic Shares) or to 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, Wan Chai, Hong Kong (for holders of H Shares) as soon as possible but in any event not less than 24 hours before the time appointed for the EGM (i.e. not later than 9:00 a.m. on Thursday, 5 November 2020) or the adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM.

30 September 2020

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS .....</b>	<b>1</b>
<b>LETTER FROM THE BOARD OF DIRECTORS .....</b>	<b>6</b>
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE .....</b>	<b>20</b>
<b>LETTER FROM OCTAL CAPITAL .....</b>	<b>22</b>
<b>APPENDIX I — GENERAL INFORMATION .....</b>	<b>42</b>
<b>APPENDIX II — BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS .....</b>	<b>47</b>
<b>APPENDIX III — BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF SUPERVISORS .....</b>	<b>61</b>
<b>APPENDIX IV — PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION .....</b>	<b>63</b>
<b>NOTICE OF EGM .....</b>	<b>65</b>

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board of Directors”	the board of Directors
“Board of Supervisors”	the board of Supervisors
“CBIRC”	the China Banking and Insurance Regulatory Commission
“Company”	Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司), a joint stock company established in the PRC with limited liability on 17 December 2010, whose H shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Agreements”	the deposit agreements to be entered into between members of the Group and GMK Finance as contemplated under the Deposit Service Framework Agreement
“Deposit Service Framework Agreement”	the deposit service framework agreement entered into by GMK Finance and the Company on 31 August 2020 in respect of the provision of Deposit Services to the Group
“Deposit Services”	deposit services provided by GMK Finance
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share in the Company’s capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in RMB by PRC nationals and/or PRC-incorporated entities

---

## DEFINITIONS

---

“EGM”	the 2020 third extraordinary general meeting of the Company to be held at 3rd Floor, GMK Building, Xiangguang ECO-Industrial Park, Yanggu County, Liaocheng City, Shandong Province, the PRC on Friday, 6 November 2020 at 9:00 a.m. to consider and, if thought fit, to approve the resolutions contained in the notice of the meeting which is set out on pages 65 to 68 of this circular
“Existing Deposit Service Framework Agreement”	the deposit service framework agreement entered into between GMK Finance and the Company on 25 June 2020 in respect of the provision of the Deposit Services to the Group, details of which has been disclosed in the Prospectus
“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, a shareholder of the Company
“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, a shareholder of the Company
“GMK Finance”	GMK Finance Co., Ltd. (新鳳祥財務有限公司), a company established in the PRC with limited liability on 26 June 2015, a financial institution that is under the supervision of the Shandong Office of CBIRC and owned as to 52.5% by GMK Holdings and 47.5% by Xiangguang Copper, respectively and in turn a non-wholly owned subsidiary of GMK Holdings and is therefore a connected person of the Company

---

## DEFINITIONS

---

“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%, 9%, 20% and 20% by Mr. Liu Xuejing, Ms. Zhang Xiuying, Mr. Liu Zhiguang and Mr. Liu Zhiming, respectively, and a controlling shareholder of the Company, directly and indirectly held 70.92% interest in the Company’s total issued share capital
“Group”	the Company and its subsidiaries
“Guangdong Hengqin”	Guangdong Hengqin Fengxiang Equity Investment Centre (Limited Partnership) (廣東橫琴鳳祥股權投資中心(有限合夥)), formerly known as Xizang Fengxiang Food Industry Investment Centre (Limited Partnership) (西藏鳳祥食品產業投資中心(有限合夥)), a limited partnership established in the PRC on 13 April 2015, which is owned as to 99% by Xizang Xinfengxiang and 1% by Xinfengxiang Guangming, respectively
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.0 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Company, the members of which consist of all the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the Deposit Service Framework Agreement and its proposed annual caps

---

## DEFINITIONS

---

“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Latest Practicable Date”	25 September 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	People’s Bank of China
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2020
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	the registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company

---

## DEFINITIONS

---

“Xiangguang Copper”	Yanggu Xiangguang Copper Co., Ltd. (陽穀祥光銅業有限公司), a company established in the PRC with limited liability on 6 January 2005, in which GMK Holdings ultimately holds more than 30%
“Xinfengxiang Guangming”	Xinfengxiang Guangming Investment Management Co., Ltd. (新鳳祥光明投資管理有限公司), a company established in the PRC on 26 March 2015, general partner of Guangdong Hengqin, which is owned as to 50% and 50% by Mr. Liu Zhiguang and Mr. Liu Zhiming, respectively
“Xizang Xinfengxiang”	Guangdong Hengqin Xinfengxiang Guangming Investment Limited Partnership (廣東橫琴新鳳祥光明投資合夥企業(有限合夥)), formerly known as Xizang Xinfengxiang Bright Investment Limited Partnership (西藏新鳳祥光明投資合夥企業(有限合夥)), a limited partnership established in the PRC on 27 March 2015, owned as to 49.5%, 49.5% and 1% by Mr. Liu Zhiguang, Mr. Liu Zhiming and Xinfengxiang Guangming
“%”	per cent

---

LETTER FROM THE BOARD OF 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)**

*Executive Directors:*

Mr. Liu Zhiguang (*Chairman*)  
Mr. Xiao Dongsheng (*General Manager*)  
Mr. Ow Weng Cheong  
Mr. Wang Jinsheng

*Non-executive Directors:*

Mr. Liu Xuejing  
Mr. Zhang Chuanli

*Independent non-executive Directors:*

Mr. Guo Tianyong  
Mr. Zhang Ye  
Mr. Chung Wai Man

*Registered address:*

Liumiao Village  
Anle Town  
Yanggu County  
Liaocheng City  
Shandong Province  
PRC

*Head Office and Place of business  
in Hong Kong:*

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

30 September 2020

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:  
DEPOSIT SERVICE FRAMEWORK AGREEMENT;  
PROPOSED RE-ELECTION AND APPOINTMENT OF DIRECTORS OF  
THE FOURTH SESSION OF THE BOARD OF DIRECTORS;  
PROPOSED RE-ELECTION AND APPOINTMENT OF SUPERVISORS OF  
THE FOURTH SESSION OF THE BOARD OF SUPERVISORS;  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
AND  
NOTICE OF 2020 THIRD EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the section headed "Connected Transactions" in the Prospectus in relation to the Existing Deposit Service Framework Agreement, which will expire on 31 December 2020.



---

## LETTER FROM THE BOARD OF DIRECTORS

---

Reference is also made to the announcement of the Company dated 31 August 2020. After considering the future needs of the Group and to better regulate the future continuing connected transactions, the Company and GMK Finance entered into the Deposit Service Framework Agreement for a term of two years commencing from 1 January 2021 and ending on 31 December 2022.

The purpose of this circular is to provide you with, among other things, (i) details of the continuing connected transaction in relation to the Deposit Service Framework Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of, among other things, the Deposit Service Framework Agreement and its proposed annual caps; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Deposit Service Framework Agreement and its proposed annual caps; (iv) the proposed amendments to the Articles of Association; (v) other information as required under the Listing Rules; and (vi) the notice convening the EGM.

## II. CONTINUING CONNECTED TRANSACTION

### 1. Deposit Service Framework Agreement

Pursuant to the Existing Deposit Service Framework Agreement, GMK Finance shall provide the Deposit Services to the Group. As the Existing Deposit Service Framework Agreement and its annual cap will expire on 31 December 2020 and in order to better regulate the provision of the Deposit Services, the Company and GMK Finance entered into the Deposit Service Framework Agreement on 31 August 2020 in respect of the Deposit Services procured by the members of the Group from GMK Finance.

The Deposit Service Framework Agreement is conditional upon the Independent Shareholders' approval at the EGM having been obtained.

The summary of the principal terms of the Deposit Service Framework Agreement is set forth below:

<b>Date:</b>	31 August 2020
<b>Parties:</b>	(i) the Company; and  (ii) GMK Finance.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

**Description of the transaction:**

GMK Finance shall provide the Deposit Services to members of the Group for a term of two years from 1 January 2021 to 31 December 2022. The Deposit Service Framework Agreement shall be non-exclusive, and the Group is at liberty to obtain deposit services from other third parties.

The relevant parties shall enter into separate Deposit Agreements to set out the specific provisions of the Deposit Services, and the terms and conditions of the Deposit Agreements shall be determined by the relevant parties in accordance with the terms of the Deposit Service Framework Agreement.

The term of each of the Deposit Agreements shall not exceed the term of the Deposit Service Framework Agreement.

**Pricing policy:**

The interest rates payable by GMK Finance to the Group in respect of the Deposit Services shall:

- (i) be determined based on arm's length negotiations between GMK Finance and the Group with reference to the prevailing interest rate for similar deposit services which can be obtained by the Group from independent third parties and on normal commercial terms;
- (ii) not be lower than the interest rates to be paid by independent third parties; and
- (iii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within the PRC.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

### *Historical figures and existing annual caps:*

The following table sets out the historical figures and the existing annual cap under the Existing Deposit Service Framework Agreement:

	<b>Historical amount for the year ended 31 December 2017 (RMB'000)</b>	<b>Historical amount for the year ended 31 December 2018 (RMB'000)</b>	<b>Historical amount for the year ended 31 December 2019 (RMB'000)</b>	<b>Existing annual cap for the year ending 31 December 2020 (RMB'000)</b>
Maximum daily balance of deposits (including interests accrued thereon) placed by the Company with GMK Finance	295,200	458,400	479,500	600,000

### *Proposed annual caps*

The following table sets out the proposed annual caps for the transactions to be contemplated under the Deposit Service Framework Agreement:

	<b>For the year ending 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>
Maximum daily balance of deposits (including interests accrued on such balances) placed by the Company with GMK Finance	1,350,000	1,350,000

The above proposed annual caps on the maximum daily balance of deposits have been determined after taking into consideration of the following factors, among other things:

- (1) the historical deposits that were maintained by the Group with GMK Finance for the past three years;

---

## LETTER FROM THE BOARD OF DIRECTORS

---

- (2) the utilisation of the maximum daily balance of deposit (including interests accrued thereon) placed by the Company with GMK Finance pursuant to the annual cap for the year ending 31 December 2020 under the Existing Deposit Service Framework Agreement as at the Latest Practicable Date, amounting to approximately RMB599 million;
- (3) the expected continued growth in assets and cash management needs of the Group due to the expansion of its business and operation and an increase of cash and cash equivalents from approximately RMB563 million as at 31 December 2019 to approximately RMB1,084 million as at 30 June 2020. An increase of cash and cash equivalents will lead to a corresponding increase in the amount of deposits as well as the need of deposit services in GMK Finance if the rates quoted by GMK Finance are no less favourable than the quotes of deposit rates offered by two other financial institutions offering deposit services obtained by the Group;
- (4) historically, the Group had pledged commercial bills received by the Group in the ordinary course of business to GMK Finance for discounting in return for cash loans extended to the Group and the Group has discretion to make its selection whether such loans shall be remitted or settled through the accounts of the Group maintained with GMK Finance. Where the Group draws such loans from GMK Finance, GMK Finance will make remittance to the accounts of the Group maintained with GMK Finance, and subsequently, where the Group repays such loans to GMK Finance, the amount will be automatically deducted from the aforementioned accounts. As such, the maximum daily balance of deposit will increase significantly but such increase shall not be more than the annual caps obtained for the years ending 31 December 2021 and 2022 pursuant to the framework agreement dated 25 June 2020 entered into between the Company and GMK Finance for the provision of financial assistance by GMK Finance to the Group through the discounting of commercial bills which are RMB600 million and RMB500 million, respectively; and
- (5) the net proceeds from the global offering of the Company's H Shares (the "**Global Offering**"), of which part of it is expected to be placed with GMK Finance in consideration of the higher deposit interest rates offered by GMK Finance as compared to the three principal bankers of the Company. Since the net proceeds is expected to be utilised over the years 2021 to 2022, the Board of Directors is of the view that placing part of the net proceeds with GMK Finance will allow the Company to earn the same or better interest rate which in turn will optimise the deposit interests obtained and benefit the Group as a whole while maintaining risk management on the level of concentration in respect of deposits placed.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

In determining the annual caps for the interests on deposits, the Board of Directors have considered the current interest rate offered by GMK Finance, which is also the upper floating range limit on the benchmark rates on deposits allowed by the PBOC.

### *Reasons and benefits for the transactions*

GMK Finance has been providing the Deposit Services to the Group historically and prior to the listing of the Company on the Stock Exchange, thus it has developed a deep understanding of the capital needs and business operations of the Group. In view of the stability and reliability of the financial services provided by GMK Finance, including the Deposit Services in previous years, the Company believes that GMK Finance is well-positioned to serve the financial needs of the Group, and it is expected that it will be cost-efficient, expedient and beneficial for the Group to use the Deposit Services.

Moreover, under the Deposit Service Framework Agreement, the monies that the Group deposits with GMK Finance can be withdrawn on demand and do not have a minimum deposit period, and the Group would earn the same rate of interest as offered by other financial institutions that also offer deposit services. The deposit interest rates offered by GMK Finance to the Group shall comply with the benchmark deposit interest rates promulgated by the PBOC from time to time (if any) for financial institutions such as GMK Finance, and the Group's deposit interest rates shall be the same as those offered by GMK Finance to independent third parties (or better), and the Group will only deposit its funds with GMK Finance if the rates quoted by GMK Finance are no less favourable than the quotes of deposit rates offered by two other financial institutions offering deposit services obtained by the Group.

Furthermore, the net proceeds from the Global Offering received by the Company was approximately HK\$1,004 million (i.e. approximately RMB889 million). As disclosed on pages 184 and 357 of the Prospectus, among the net proceeds raised from the Global Offering, the Group intends to utilise approximately 45% (i.e. approximately HK\$452 million) to fund its expansion plan and carry out the procurement of facilities over a 24-month period (subject to the purchase price at that time). The Group will also use approximately 42.5% (i.e. approximately HK\$427 million) of the net proceeds to repay existing borrowings indicated in the Prospectus, of which the latest maturity period is December 2022. In view of the expected time of usage of net proceeds, it is considered that the Company's plan to place part of the net proceeds from the Global Offering will allow the Company to earn the same or a better interest rate under the Deposit Service Framework Agreement as compared to other third party banks or financial institutions for deposit services with similar terms.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

Once the Deposit Service Framework Agreement is approved by the Independent Shareholders at the EGM, the Company will place part of the net proceeds with GMK Finance according to its plan and expected time of usage. However, as at the Latest Practicable Date, the Company has no concrete plan as to the timing of deposits of the aforesaid amount with GMK Finance.

In addition, GMK Finance had a registered capital of RMB3,000 million and is an institution licensed by the Shandong Office of CBIRC, and is subject to the rules and requirements of such regulatory authority, which will reduce risks to the Group in receiving the Deposit Services. The Company believes that given the registered capital of GMK Finance and its licensed status, and its better understanding of the operations of the Group, GMK Finance would be able to provide the Group with expedient and efficient delivery of services. The Group also expects that as an intra-group service provider, GMK Finance will generally have more efficient communication channels with the Group as compared with other domestic commercial banks or financial institutions. The Deposit Services will also facilitate internal settlement and shorten the time required for fund transfer and turnover.

Given the transactions to be contemplated under the Deposit Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the terms of the Deposit Service Framework Agreement and its proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **2. Internal Control Measures**

In order to ensure that the pricing policy in the Deposit Service Framework Agreement is adhered to, the Group has the following internal control procedures and policies:

- (i) the finance department of the Company shall be responsible for reviewing the pricing terms of the Deposit Services by obtaining quotations from GMK Finance and at least two other independent financial institutions for rates of deposits of an equivalent amount and for the equivalent period, and will only use the Deposit Services if the terms quoted by GMK Finance are no less favourable than the terms quoted by such two other independent financial institutions;
- (ii) the finance department of the Company shall also be responsible for monitoring and collecting on a regular basis the actual maximum daily balance of deposits to be placed by the Group with GMK Finance pursuant to the Deposit Service Framework Agreement and the Deposit Agreements, so to ensure that the maximum daily balance will not exceed the proposed annual caps for each financial year;

---

## LETTER FROM THE BOARD OF DIRECTORS

---

- (iii) the independent non-executive Directors will review the transactions to be entered into pursuant to the Deposit Service Framework Agreement in order to ensure all such transactions are entered into in accordance with the terms and pricing policies of the Deposit Service Framework Agreement, are on normal commercial terms or better, on terms that are fair and reasonable, and in accordance with and do not exceed the proposed applicable annual caps; and
- (iv) the auditors of the Company will conduct an annual review on the pricing and annual caps of the continuing connected transactions to be entered into pursuant to the Deposit Service Framework Agreement.

### **3. Information of the Company and GMK Finance**

The Company is a joint stock limited liability company established in the PRC, principally engaged in breeding, slaughtering and processing, sale of poultry, and production and sale of animal feeds and organic fertilisers.

GMK Finance is a limited company established in the PRC and a non-wholly owned subsidiary of GMK Holdings. GMK Finance is a financial institution licensed by the Shandong Office of CBIRC, and primarily engages in financial services business, including the provision of deposit services, provision of loans on the basis of the discounting of commercial bills and the provision of entrusted loans.

### **4. Implications under the Listing Rules**

GMK Finance is held as to 52.5% by GMK Holdings, the controlling shareholder of the Company directly and indirectly held 70.92% interest in the Company's total issued share capital (i.e. 992,854,500 Domestic Shares) as at the Latest Practicable Date, and as to 47.5% by Xiangguang Copper, a company in which GMK Holdings ultimately holds more than 30%. GMK Holdings was held as to 51%, 9%, 20% and 20% by Mr. Liu Xuejing (non-executive Director), Ms. Zhang Xiuying (spouse of Mr. Liu Xuejing), Mr. Liu Zhiguang (executive Director) and Mr. Liu Zhiming (son of Mr. Liu Xuejing and brother of Mr. Liu Zhiguang), respectively. Accordingly, GMK Finance is a connected person of the Company and as a result, the transactions contemplated under the Deposit Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

As one or more of the applicable percentage ratios (other than profits ratio) (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps of the transactions to be contemplated under the Deposit Service Framework Agreement exceed 5%, the transactions to be contemplated thereunder are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions to be contemplated under the Deposit Service Framework Agreement exceed 5% but are less than 25%, the provision of Deposit Services under the Deposit Service Framework Agreement also constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Apart from Mr. Liu Zhiguang and Mr. Liu Xuejing who have abstained from voting on the relevant resolutions of Board of Directors approving the Deposit Service Framework Agreement, Mr. Zhang Chuanli, a non-executive Director, has also abstained from voting on the same resolutions of Board of Directors given that he is a director of GMK Holdings. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there are no other Directors who has any material interest in the transactions contemplated under the Deposit Service Framework Agreement.

As GMK Holdings and its associates have material interests in the transactions to be contemplated under the Deposit Service Framework Agreement, GMK Holdings and its associates will be required to abstain from voting at the EGM with respect to the ordinary resolutions in connection with Deposit Service Framework Agreement and the proposed annual caps.

### **5. Independent Board Committee**

The Independent Board Committee has been formed by the Company to consider, and to advise the Independent Shareholders on the terms of Deposit Service Framework Agreement and the proposed annual caps.

Octal Capital has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Deposit Service Framework Agreement and the proposed annual caps. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21 of this circular. The letter from the Independent Board Committee to the Independent Shareholders contains its recommendation on the Deposit Service Framework Agreement and the proposed annual caps. Having considered the appropriate internal control measures in place and the pricing policies with respect to the Deposit Service Framework Agreement, the methods and procedures



---

## LETTER FROM THE BOARD OF DIRECTORS

---

established by the Company to ensure the strict compliance with the pricing policies and that the transactions contemplated thereunder the Deposit Service Framework Agreement will be conducted in the ordinary and usual course of business and on normal commercial terms, the independent non-executive Directors are of the view that the Deposit Service Framework Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **6. Independent Financial Adviser**

Octal Capital has been appointed as the Independent Financial Adviser for providing advice to the Independent Board Committee and the Independent Shareholders on whether the terms of Deposit Service Framework Agreement and the proposed annual caps are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole. A letter from Octal Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 41 of this circular. The letter from Octal Capital to the Independent Board Committee and the Independent Shareholders contains factors they have considered and their recommendations on the Deposit Service Framework Agreement and the proposed annual caps.

## **II. PROPOSED RE-ELECTION AND APPOINTMENT OF DIRECTORS OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

In accordance with Article 98 of the Articles of Association, Directors shall be elected by the general meeting and serve a term of office of three years. A Director may serve consecutive terms if re-elected upon the expiration of his/her term. All current Directors are eligible for re-election as Directors for the fourth session of the Board of Directors at the EGM. All members of the Board of Directors confirmed that they will offer themselves for re-election at the EGM. The list of candidates for Directors of the fourth session of the Board of Directors is as follows:

- (i) Candidates for executive Directors: Mr. Liu Zhiguang, Mr. Xiao Dongsheng, Mr. Ow Weng Cheong and Mr. Wang Jinsheng;
- (ii) Candidates for non-executive Directors: Mr. Liu Xuejing and Mr. Zhang Chuanli; and
- (iii) Candidates for independent non-executive Directors: Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man.

For biographies of the candidates for Directors of the fourth session of the Board of Directors, please refer to Appendix II to this circular. The Directors of the fourth session of the Board of Directors shall have a term of three years, effective from the date of approval at the EGM.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

### **Proposal on Remuneration Package for Directors of the Fourth Session of the Board of Directors**

Independent non-executive Directors will receive remunerations from the Company. The Company will pay HK\$300,000 per annum to each independent non-executive Director. The executive Directors with other employment positions at the Company, namely Mr. Xiao Dongsheng, Mr. Ow Weng Cheong and Mr. Wang Jinsheng, based on their positions and in accordance with the Company's remuneration policy, receive remunerations from the Company.

Except for the independent non-executive Directors and executive Directors with other employment positions at the Company, other Directors do not receive any remuneration from the Company.

### **III. PROPOSED RE-ELECTION AND APPOINTMENT OF SUPERVISORS OF THE FOURTH SESSION OF THE BOARD OF SUPERVISORS**

In accordance with Article 126 of the Articles of Association, the Board of Supervisors shall comprise three Supervisors. Each Supervisor shall serve a term of three years, which is renewable upon re-election and re-appointment. In accordance with Article 127 of the Articles of Association, two shall be shareholders representative Supervisors and one shall be employee representative Supervisor. In particular, shareholders representative Supervisors shall be elected and dismissed at general meetings, and the employee representative Supervisor shall be elected democratically at the employee representatives' meetings, employees' meetings or in other forms. The list of candidates for shareholder representative Supervisors of the fourth session of the Board of Supervisors is as follows:

Candidates for shareholders representative Supervisors: Mr. Kong Xiangwei and Mr. Chen Dehe

For biographies of the candidates for shareholders representative Supervisors of the fourth session of the Board of Supervisors, please refer to Appendix III to this circular.

The shareholders representative Supervisors of the fourth session of the Board of Supervisors shall have a term of three years, effective from the date of approval at the EGM.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

### **Proposal on Remuneration Package for Supervisors of the Fourth Session of the Board of Supervisors**

The employee representative Supervisor with other employment positions at the Company, based on his position and in accordance with the Company's remuneration policy, receive remunerations from the Company. Other Supervisors do not receive any remuneration from the Company.

### **IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Reference is made to the announcement of the Company dated 31 August 2020 in relation to the change of business scope and the proposed amendments to the Articles of Association.

The Company is required to revise the description of the current business scope based on the Directory of Specification of Business Scope Registration issued according to the Notice regarding Implementation of Regulating the Registration of Business Scope of Market Participants (Lu Shi Jian Zhu Zi [2020] No. 212) (the “**Notice**”) promulgated by Shandong Administration for Market Regulation.

The Board of Directors are of the view that such change of the description of the business scope will not have any material impact on the business operation of the Group.

The Company proposes to amend the Articles of Association to reflect the change of business scope and the latest registered capital of the Company. Details of the proposed amendments are set out in Appendix IV to this circular (the “**Articles Amendments**”).

Save for the Articles Amendments, the other articles in the existing Articles of Association will remain unchanged.

A special resolution in relation to the Articles Amendments will be proposed at the EGM for the approval by the Shareholders. If the proposed amendments are approved at the EGM, the Company will apply for a new business licence which will state the revised business scope of the Company.

The Articles of Association are prepared in Chinese with no official English version. Any English translation is for reference only. In the event of any inconsistency, the Chinese version shall prevail.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

### V. EGM

The notice convening the EGM is set out on pages 65 to 68 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon to 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, Wan Chai, 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) as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM (i.e. not later than 9:00 a.m. on Thursday, 5 November 2020) or the adjourned meeting (as the case may be). Completion and delivery of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

For determining the entitlement to attend and vote at the EGM, the Registers of Members of the Company will be closed from Tuesday, 3 November 2020 to Friday, 6 November 2020 (both days inclusive), during which period no transfer of Shares will 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, Wan Chai, 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 Monday, 2 November 2020. The holders of H Shares and Domestic Shares whose names appear on the Registers of Members of the Company on Friday, 6 November 2020 will be entitled to attend and vote at the EGM.

### VI. RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is contained in the Letter from the Independent Board Committee of this circular) are of the view that transactions contemplated under the Deposit Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, and the terms of the Deposit Service Framework Agreement and the proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Board of Directors also believes that the other proposals mentioned above are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board of Directors recommends that all Shareholders vote in favour of the relevant resolutions to be proposed at the EGM as set out in the notice of EGM.

---

## LETTER FROM THE BOARD OF DIRECTORS

---

### VII. OTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 and 21 of this circular which contains its recommendation to the Independent Shareholders on the Deposit Service Framework Agreement and the proposed annual caps; and (ii) the letter from the Independent Financial Adviser set out on pages 22 to 41 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Deposit Service Framework Agreement, and the proposed annual caps and the principal factors and reasons considered by Octal Capital in arriving at its advice.

Your attention is also drawn to the other information set out in the appendices to this circular.

Yours faithfully,

By and on behalf of the Board of Directors

**Shandong Fengxiang Co., Ltd.**

**LIU Zhiguang**

*Chairman*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Deposit Service Framework Agreement:*



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)**

30 September 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:  
DEPOSIT SERVICE FRAMEWORK AGREEMENT**

We refer to the circular of the Company (the “**Circular**”) dated 30 September 2020 of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Deposit Service Framework Agreement and their proposed annual caps, and to give recommendation to the Independent Shareholders as to whether, in our opinion, the terms of the Deposit Service Framework Agreement and the proposed annual caps are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and whether the Deposit Service Framework Agreement and the proposed annual caps are in the interests of the Company and its Shareholders as a whole. Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Service Framework Agreement and the proposed annual caps.

We wish to draw your attention to the letter from the Board of Directors set out in the section of Letter from the Board of Directors in the Circular which contains, among other things, information about the Deposit Service Framework Agreement and the proposed annual caps, and

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

the letter of advice from Octal Capital set out in the section of Letter from Octal Capital in the Circular which contains its advice in respect of the terms of the Deposit Service Framework Agreement and the proposed annual caps.

Having taken into account the advice from Octal Capital, we consider that the terms of the Deposit Service Framework Agreement and the proposed annual caps are fair and reasonable on normal commercial terms and in the ordinary and usual course of business of the Company so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Deposit Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Guo Tianyong**

*Independent  
non-executive Director*

**Zhang Ye**

*Independent  
non-executive Director*

**Chung Wai Man**

*Independent  
non-executive Director*

---

## LETTER FROM OCTAL CAPITAL

---

*The following is the letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Octal Capital Limited  
801-805, 8th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

30 September 2020

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION: DEPOSIT SERVICE FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Deposit Service Framework Agreement, particulars of which are set out in the letter from the Board of Directors (the “**Letter from the Board**”) of the circular to the Shareholders dated 30 September 2020 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Before the listing of the H Shares on the Main Board of the Stock Exchange (the “**Listing**”), the Company has entered into the Existing Deposit Service Framework Agreement with GMK Finance on 25 June 2020, pursuant to which GMK Finance will provide the Deposit Services to the Group. The Existing Deposit Service Framework Agreement will be for a term commencing on the date of Listing (i.e. 16 July 2020) and ending on 31 December 2020, and which will be renewable upon mutual consent of all parties to the agreement and subject to compliance by the Company with the requirements under the Listing Rules and other applicable laws and regulations.

On 31 August 2020, the Company and GMK Finance entered into the Deposit Service Framework Agreement for a term of two years commencing from 1 January 2021 and ending on 31 December 2022, pursuant to which GMK Finance shall provide the Deposit Services to the Company.



---

## LETTER FROM OCTAL CAPITAL

---

GMK Finance is held as to 52.5% by GMK Holdings, the controlling shareholder of the Company directly and indirectly held 70.92% interest in the Company's total issued share capital (i.e. 992,854,500 Domestic Shares) as at the Latest Practicable Date, and as to 47.5% by Xiangguang Copper, a company in which GMK Holdings ultimately holds more than 30% equity interest. GMK Holdings was held as to 51%, 9%, 20% and 20% by Mr. Liu Xuejing (non-executive Director), Ms. Zhang Xiuying (spouse of Mr. Liu Xuejing), Mr. Liu Zhiguang (executive Director and son of Mr. Liu Xuejing) and Mr. Liu Zhiming (son of Mr. Liu Xuejing and brother of Mr. Liu Zhiguang), respectively. Accordingly, GMK Finance is a connected person of the Company and as a result, the transactions contemplated under the Deposit Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps of the transactions to be contemplated under the Deposit Service Framework Agreement exceed 5%, the transactions to be contemplated thereunder are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions to be contemplated under the Deposit Service Framework Agreement exceed 5% but are less than 25%, the provision of Deposit Services under the Deposit Service Framework Agreement also constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Apart from Mr. Liu Zhiguang and Mr. Liu Xuejing who have abstained from voting on the relevant resolutions of Board of Directors approving the Deposit Service Framework Agreement, Mr. Zhang Chuanli, a non-executive Director, has also abstained from voting on the same resolutions of Board of Directors given that he is a director of GMK Holdings. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there are no other Directors who has any material interest in the transactions contemplated under the Deposit Service Framework Agreement.

As GMK Holdings and its associates have material interests in the transactions to be contemplated under the Deposit Service Framework Agreement, GMK Holdings and its associates will be required to abstain from voting at the EGM with respect to the ordinary resolutions in connection with the Deposit Service Framework Agreement and the Annual Caps (as defined below).

---

## LETTER FROM OCTAL CAPITAL

---

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man, has been formed by the Company to consider, and to advise the Independent Shareholders on the terms of the Deposit Service Framework Agreement and the Annual Caps (as defined below). We, Octal Capital Limited, have been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on whether the terms of the Deposit Service Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms, and whether the entering into of the Deposit Service Framework Agreement and the Annual Caps (as defined below) are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group.

As at the Latest Practicable Date, we were not connected with the Company or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders.

In the last two years, there has been no other engagement entered into between the Company and Octal Capital Limited. Apart from normal professional fees paid or payable to us in connection with the appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, GMK Finance, GMK Holdings, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Deposit Service Framework Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, GMK Finance, GMK Holdings, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

---

## LETTER FROM OCTAL CAPITAL

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Deposit Service Framework Agreement, we have taken the following factors and reasons into consideration:

#### 1. Background information of the Group and GMK Finance

##### 1.1. Information of the Group

The Company is a joint stock limited liability company established in the PRC on 17 December 2010, the H Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in breeding, slaughtering and processing, sale of poultry, and production and sale of animal feeds and organic fertiliser.

Set out below is the financial information of the Company for the two years ended 31 December 2018 (“**FY2018**”) and 2019 (“**FY2019**”) and the six months ended 30 June 2019 (“**1H2019**”) and 30 June 2020 (“**1H2020**”) and as at 31 December 2018, 2019 and 30 June 2020 extracted from the prospectus of the Company (the “**Prospectus**”) published on 30 June 2020 and the interim results announcement of the Company dated 31 August 2020 for the six months ended 30 June 2020 (“**2020 Interim Results**”) respectively:

	For the year ended 31 December		For the six months ended 30 June		Change from FY2018 to FY2019	Change from 1H2019 to 1H2020
	2018	2019	2019	2020		
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
	(audited)	(audited)	(unaudited)	(unaudited)		
Total revenue	3,197,099	3,926,217	1,681,322	1,902,759	22.8	13.2
Profit after tax (before biological assets fair value adjustments)	118,469	833,935	332,177	146,572	603.9	(55.9)
Biological assets fair value adjustments	18,142	3,446	8,439	(1,898)	(81.0)	(122.5)
Profit after tax (after biological assets fair value adjustments)	136,611	837,381	340,616	144,674	513.0	(57.5)

---

## LETTER FROM OCTAL CAPITAL

---

### *Comparison between FY2018 and FY2019*

As illustrated in the above table, revenue of the Group increased by 22.8% from approximately RMB3,197.1 million in FY2018 to approximately RMB3,926.2 million in FY2019, primarily due to increase in sales volume of processed chicken meat products and chicken breeds, as well as increase in average selling prices across the main product segments.

The profit after tax (after biological assets fair value adjustments) of the Group increased by 513.0% from approximately RMB136.6 million in FY2018 to approximately RMB837.4 million in FY2019, which was mainly attributable to (i) the aforementioned increase in revenue; (ii) increase of gain arising on initial recognition of agriculture produce at fair value less costs to sell at the point of harvest from approximately RMB169.2 million in FY2018 to approximately RMB402.8 million in FY2019; and (iii) increase in gain arising from changes in fair value less estimated costs to sell of biological assets from approximately RMB132.9 million in FY2018 to approximately RMB393.7 million in FY2019.

### *Comparison between 1H2019 and 1H2020*

The revenue of the Group increased by 13.2% from approximately RMB1,681.3 million in 1H2019 to approximately RMB1,902.8 million in 1H2020, primarily due to (i) increase in revenue from production and sale of raw chicken meat products from approximately RMB731.8 million in 1H2019 to approximately RMB963.5 million in 1H2020; and (ii) increase in revenue from production and sale of processed chicken meat products from approximately RMB659.7 million in 1H2019 to approximately RMB822.0 million in 1H2020.

The profit after tax (after biological assets fair value adjustments) of the Group decreased by 57.5% from approximately RMB340.6 million in 1H2019 to approximately RMB144.7 million in 1H2020, which was mainly attributable to (i) increase of cost of sales (after biological assets fair value adjustments) from approximately RMB1,534.5 million in 1H2019 to approximately RMB1,675.4 million in 1H2020; (ii) decrease of gain arising on initial recognition of agriculture produce at fair value less costs to sell at the point of harvest from approximately RMB134.5 million in 1H2019 to approximately RMB54.1 million in 1H2020; and (iii) decrease in gain arising from changes in fair value less estimated costs to sell of biological assets from approximately RMB222.5 million in 1H2019 to approximately RMB86.3 million in 1H2020.

## LETTER FROM OCTAL CAPITAL

	As at 31 December		As at 30 June	Change from 31 December 2018 to 2019	Change from 31 December 2019 to 30 June 2020
	2018	2019	2020	%	%
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	%	%
Cash and cash equivalents	248,724	563,365	1,084,062	126.5	92.4
Trade receivables	188,648	206,625	200,852	9.5	(2.8)
<b>Total</b>	<b>437,372</b>	<b>769,990</b>	<b>1,284,914</b>	<b>76.0</b>	<b>66.9</b>

As at 31 December 2019, the Company recorded (i) cash and cash equivalents of approximately RMB563.4 million, representing an increase of approximately 126.5% as compared to that as at 31 December 2018 of approximately RMB248.7 million; and (ii) trade receivables of approximately RMB206.6 million, representing an increase of approximately 9.5% as compared to that at 31 December 2018 of approximately RMB188.6 million. Aggregating both items, they amounted to approximately RMB770.0 million as at 31 December 2019, representing an increase of approximately 76.0% as compared to that as at 31 December 2018. As at 30 June 2020, the Company recorded cash and cash equivalents of approximately RMB1,084.1 million and trade receivables of approximately RMB200.9 million, representing an increase of approximately 92.4% and a decrease of 2.8% respectively as compared to those as at 31 December 2019. In aggregate, they amounted to approximately RMB1,284.9 million as at 30 June 2020, representing an increase of approximately 66.9% as compared to that as at 31 December 2019.

	For the year ended 31 December	
	2018	2019
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Net cash generated from operating activities	782,894	723,513
Net cash (used in) investing activities	(387,343)	(177,768)
Net cash (used in) financing activities	(308,141)	(231,104)
Net increase in cash and cash equivalents	87,410	314,641
Cash and cash equivalents at end of the year	248,724	563,365

---

## LETTER FROM OCTAL CAPITAL

---

The net cashflows of the Group generated from operating activities decreased by approximately 7.6% from RMB782.9 million in FY2018 to RMB723.5 million in FY2019, primarily due to (i) an increase in inventories as a result of increased import of raw chicken meat of the Group to meet its production volume, and (ii) a decrease in trade and bills payables mainly as a result of a decrease in bills payable as the cash flow position of the Group improved.

The Group recorded net cash used in investing activities of RMB177.8 million in FY2019, primarily as a result of purchases of property, plant and equipment of RMB258.6 million and an increase in prepayments for such purchases of RMB43.8 million, which is partially offset by a RMB89.1 million decrease in pledged deposits as a result of a decrease in the Group's bills payable in FY2019.

The Group recorded net cash used in financing activities of RMB231.1 million in FY2019, primarily attributable to net repayment borrowings of RMB118.4 million, and interest paid in the amount of RMB110.4 million.

We note from the Prospectus that as a measure of its liquidity risk management, the Company monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows. As at the Latest Practicable Date, the Company maintained approximately 69.6% and 30.4% of its deposits with GMK Finance and third party financial institutions respectively.

As disclosed in the announcement of offer price and allotment results of the Global Offering dated 15 July 2020, the net proceeds from the Global Offering to be received by the Company, after deduction of the underwriting fees and commissions and other expenses to be borne by the Company in connection with the Global Offering and assuming the over-allotment option to be granted in the Global Offering is not exercised, were estimated to be approximately HK\$1,004 million.

As mentioned in the Prospectus, to the extent that the net proceeds are not immediately applied to the stated purposes and to the extent permitted by applicable law and regulations, it is the intention of the Group to deposit the net proceeds into short-term demand deposits and/or money market instruments with licenced banks or financial institutions in Hong Kong or in the PRC (including GMK Finance). As at the Latest Practicable Date, none of the net proceeds have been deposited into GMK Finance.

---

## LETTER FROM OCTAL CAPITAL

---

### *1.2. Information of GMK Finance*

GMK Finance is a company established in the PRC with limited liability on 26 June 2015, a financial institution that is under the supervision of the Shandong Office of CBIRC and a non-wholly owned subsidiary of GMK Holdings. GMK Finance is primarily engaged in financial services business including the provision of deposit services, provision of loans on the basis of the discounting of commercial bills and the provision of entrusted loans. Apart from the Existing Deposit Service Framework Agreement, GMK Finance had also provided loan facilities to the Group, including (a) the provision of loans on the basis of the discounting of commercial bills received by the Group, (b) the provision of term loans by GMK Finance, and (c) the provision of entrusted loans.

From the information provided by the Company, GMK Finance (i) had a registered capital of RMB3,000 million and is an institution licensed by the Shandong Office of CBIRC, and is subject to the rules and requirements of such regulatory authority, which will reduce risks to the Group in receiving the Deposit Services; and (ii) has complied with the capital ratios requirements in accordance with the regulatory requirement as at 31 December 2019. Up to the Latest Practicable Date, the management of the Company has confirmed that GMK Finance has not had any non-compliance incidents relating to the rules and regulations imposed by the PBOC and CBIRC. As such, the Company believes that GMK Finance has a good standing in terms of its risk profile as compared to other independent licensed financial service providers in the PRC.

### **2. Principal terms of the Deposit Service Framework Agreement**

Principal terms of the Deposit Service Framework Agreement are as follows:

Date	:	31 August 2020
Parties	:	(1) the Company; and (2) GMK Finance
Term	:	Two years from 1 January 2021 to 31 December 2022

---

## LETTER FROM OCTAL CAPITAL

---

Description of the transaction : GMK Finance shall provide the Deposit Services to members of the Group for a term of two years from 1 January 2021 to 31 December 2022. The Deposit Service Framework Agreement shall be non-exclusive, and the Group is at liberty to obtain deposit services from other third parties.

The relevant parties shall enter into separate Deposit Agreements to set out the specific provisions of the Deposit Services, and the terms and conditions of the Deposit Agreements shall be determined by the relevant parties in accordance with the terms of the Deposit Service Framework Agreement.

The term of each of the Deposit Agreements shall not exceed the term of the Deposit Service Framework Agreement.

Pricing policy : The interest rates payable by GMK Finance to the Group in respect of the Deposit Services shall:

- (i) be determined based on arm's length negotiations between GMK Finance and the Group with reference to the prevailing interest rate for similar deposit services which can be obtained by the Group from independent third parties and on normal commercial terms;
- (ii) not be lower than the interest rates to be paid by independent third parties; and
- (iii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within the PRC.

From our examination of both the Existing Deposit Service Framework Agreement and the Deposit Service Framework Agreement, we noted that (i) the terms of the deposit services contemplated under the Deposit Service Framework Agreement do not have material difference in comparison with the Existing Deposit Service Framework Agreement; (ii) the Company will only use the Deposit Services if the interest rates to be paid by GMK Finance for the Group's deposits



---

## LETTER FROM OCTAL CAPITAL

---

are no less favorable than the deposit interest rates offered by independent financial service providers for comparable deposits of comparable periods (please refer to section “*4.1 Pricing policy of the Annual Caps*” in this letter for detailed analysis on the interest rates); and (iii) the Group is neither obliged nor committed to engage GMK Finance for the Deposit Services pursuant to the terms of the Deposit Service Framework Agreement, and the Group has the discretion to choose any other banks or financial institutions to satisfy its financial service needs.

### **3. Reasons for and benefits of entering into the Deposit Service Framework Agreement**

As stated in the Letter from the Board, GMK Finance has been providing Deposit Services to the Group historically and prior to the Listing, thus it has developed a deep understanding of the capital needs and business operations of the Group. In view of the stability and reliability of the Deposit Services in previous years, it is believed that GMK Finance is well-positioned to serve the financial needs of the Group, and it is expected that it will be cost-efficient, expedient and beneficial for the Group to use the Deposit Services. As advised by the management of the Group, the Group expects that given the role of GMK Finance as an intra-group service provider and its historical business arrangement with GMK Finance, the Group would generally have more efficient communication channels with GMK Finance as compared with other domestic commercial banks or financial institutions.

On the other hand, with reference to the Prospectus, we note the Group had obtained financial assistance from GMK Finance, including the provision of term loans and entrusted loans. The Deposit Services will also facilitate internal settlement and shorten the time required for fund transfer and turnover.

In addition, as we would further discuss in the section headed “*4.2 Basis and assumptions in determining the Annual Caps*” of this letter, according to the business strategies of the Group after the Listing, the Group expects there will be increase in revenue arising from the expansion of the Group’s core business in breeding, slaughtering and processing, sale of poultry, and production and sale of animal feeds and organic fertilisers which would lead to larger operational cash inflows to the Group, hence driving up the needs for the Group’s deposit services. Besides, taking into account that part of the net proceeds from the Listing are unused and remained as cash and cash equivalents of the Group as at the Latest Practicable Date and the potential fluctuation in total cash of the Group during the period for the two years ending 31 December 2022, using the Deposit Services would allow the Group to evaluate and manage its working capital according to its plan and expected time of usage.

Furthermore, according to the Deposit Service Framework Agreement, the deposit interest rate offered by GMK Finance in respect of the Group’s deposits shall (i) comply with the benchmark deposit interest rate promulgated by the PBOC from time to time for the same term of

---

## LETTER FROM OCTAL CAPITAL

---

deposit; and (ii) the Group's deposit interest rates shall be no less favorable than those offered by GMK Finance to independent third parties. It is also stated in the Letter from the Board that the Group will review the pricing terms of the Deposit Services by obtaining quotations from GMK Finance and at least two other independent financial institutions for rates of deposits of an equivalent amount and for the equivalent period, and will only use the Deposit Services if the terms quoted by GMK Finance are no less favourable than the terms quoted by such two other independent financial institutions. As such, the Group can obtain the prime deposit rate provided by GMK Finance and at the same time maintaining flexibility in managing its working capital.

Having considered the above, we concur with the Directors' view that the terms of the Deposit Service Framework Agreement are fair and reasonable and the entering into of the Deposit Service Framework Agreement is in the interests of the Company and Shareholders as a whole.

#### 4. The Annual Caps

The table below sets forth the highest historical deposit balances placed by the Company with GMK Finance from the year ended 2017 to the period up to the date of Listing with, the 2020 Annual Cap (as defined below) and utilisation rates since the date of Listing and up to 31 August 2020 under the review period of the Existing Deposit Service Framework Agreement:

	Historical amount for the year ended 31 December 2017 <i>(RMB'000)</i>	Historical amount for the year ended 31 December 2018 <i>(RMB'000)</i>	Historical amount for the year ended 31 December 2019 <i>(RMB'000)</i>	From 1 January 2020 to the date of Listing <i>(RMB'000)</i>	From the date of Listing and up to 31 August 2020 <i>(RMB'000)</i>
Maximum daily balance of deposits (including interests accrued thereon) placed by the Company with GMK Finance	295,200	458,400	479,500	597,300	599,300
2020 Annual Cap (as defined below)	N/A	N/A	N/A	N/A	600,000
Utilisation rate	N/A	N/A	N/A	N/A	99.9%

---

## LETTER FROM OCTAL CAPITAL

---

According to the above table, we noted that the relevant utilisation rates of the maximum daily aggregate balance of the Deposit Services were approximately 99.9% since the date of Listing and up to 31 August 2020.

Pursuant to the Existing Deposit Service Framework Agreement and the Deposit Service Framework Agreement, the annual caps for the maximum daily balance (including interests accrued on such balances) of deposits placed by the Company with GMK Finance for the year ending 31 December 2020 (the “**2020 Annual Cap**”) and for the two years ending 31 December 2021 and 2022 (the “**Annual Caps**”) are set out in the table below:

	<b>Existing Deposit Service Framework Agreement Year ending 31 December 2020 (RMB'000)</b>	<b>Deposit Service Framework Agreement Year ending 31 December 2021 (RMB'000)</b>	<b>Year ending 31 December 2022 (RMB'000)</b>
Maximum daily balance of deposits (including interests accrued thereon) placed by the Company with GMK Finance	600,000	1,350,000	1,350,000

Detailed description and analysis of the bases for determining the Annual Caps are set out under the section headed “Bases and assumptions in determining the Annual Caps”.

#### ***4.1. Pricing policy of the Annual Caps***

As set out in the Letter from the Board, the interest rates payable by GMK Finance to the Group in respect of the Deposit Services shall: (i) be determined based on arm’s length negotiations between GMK Finance and the Group with reference to the prevailing interest rate for similar deposit services which can be obtained by the Group from independent third parties and on normal commercial terms; (ii) not be lower than the interest rates offered by independent third parties; and (iii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within the PRC. Moreover, we understand that the deposit interest rates offered by GMK Finance to the Group shall comply with benchmark deposit interest rates promulgated by the PBOC from time to time (if any) for financial institutions such as GMK Finance.

---

## LETTER FROM OCTAL CAPITAL

---

We understand that the PBOC has promulgated the benchmark deposit interest rates (the “**PBOC Rates**”) to serve as a benchmark for commercial banks in the PRC to make reference to when determining their deposit interest rates to offer to their customers. As such, we are of the view that it is fair and reasonable to refer to the PBOC Rates as the benchmark when comparing deposit interest rates offered by GMK Finance. Set out below is a summary of our research of the PBOC Rates currently in effect and the deposit interest rates currently offered by GMK Finance.

	<b>Current PBOC Rates (before upward adjustments allowed by PBOC) (per annum) (Note)</b>	<b>Current Rates Offered by GMK Finance (per annum)</b>
Current Deposits	0.35	0.35
Term Deposits		
3 months	1.10	1.54
6 months	1.30	1.82
1 year	1.50	2.10
2 years	2.10	2.94
3 years	2.75	3.85

*Note:* The standard rate of deposit is allowed to have a certain percentage of upward adjustment subject to the commercial decision of financial institutions.

We noted that the interest rates currently offered by GMK Finance are higher than the standard deposit rates promulgated by the PBOC. We were also advised by the management of the Company that the interest rates offered by GMK Finance will make reference to the PBOC Rates, and GMK Finance will review from time to time its offering rates with the deposit interest rates published by other financial institutions in the PRC.

For our due diligence purposes, we have obtained from the Company the historical interest rates offered by GMK Finance to the Group under the Existing Deposit Service Framework Agreement and compared them with the quotations of the interest rates obtained by the Company from two independent banks in the PRC and the standard deposit rates promulgated by PBOC during the same period for deposits of the same type and same deposit period, and we concluded that the interest rates offered by GMK Finance are no less favorable in comparison. In addition,

---

## LETTER FROM OCTAL CAPITAL

---

we have also researched and obtained the relevant deposit interest rates from three independent third-party commercial banks in the PRC (the “**Comparable Banks**”) and compared with the interest rates offered by GMK Finance under the Deposit Service Framework Agreement, and we noted that the interest rates offered by GMK Finance are no less favorable than the relevant interest rates offered by the Comparable Banks with similar deposit type and duration.

Moreover, we noted that finance department of the Company will review the pricing terms of the Deposit Services and will only use the Deposit Services if the terms quoted by GMK Finance are no less favourable than the terms quoted by such two other independent financial institutions.

Based on the above factors, we are of the view that the deposit interest rates to be offered by GMK Finance will be in line with or higher than the deposit interest rates offered by independent financial institutions for comparable deposits of comparable periods pursuant to the Deposit Service Framework Agreement.

Having considered that (i) the deposit rates offer by GMK Finance to the Group are no less favorable compared with the market as at the Latest Practicable Date; (ii) GMK Finance will make reference to the deposit interest rates published by independent third parties from time to time during the term of the Deposit Services Framework Agreement; and (iii) the finance department of the Company will only use the Deposit Services if the terms quoted by GMK Finance are no less favourable than the terms quoted by such two other independent financial institutions, we concur with the Directors’ view that the pricing policy of the Annual Caps is fair and reasonable, and increasing the annual caps will be in the interest of the Group and Shareholders as a whole.

#### ***4.2. Basis and assumptions in determining the Annual Caps***

We have discussed with the management of the Company regarding the bases and assumptions in determining the Annual Caps, and we understand that the Annual Caps are determined with reference to the following factors:

- (i) the historical deposits that were maintained by the Group with GMK Finance for the past three years. For the three years ended 31 December 2017, 2018 and 2019, the highest daily closing balances of deposits (including interests accrued on such balances) of the Group with GMK Finance were approximately RMB295.2 million, RMB458.4 million and RMB479.5 million, respectively;
- (ii) the utilisation of the maximum daily balance of deposit (including interests accrued thereon) placed by the Company with GMK Finance pursuant to the 2020 Annual Cap as at the Latest Practicable Date amounted to approximately RMB599.3 million;

---

## LETTER FROM OCTAL CAPITAL

---

- (iii) the expected continued growth in assets and cash management needs of the Group due to the expansion of its business and operation and an increase of cash and cash equivalents from approximately RMB563.4 million as at 31 December 2019 to approximately RMB1,084.1 million as at 30 June 2020. An increase of cash and cash equivalents will lead to a corresponding increase in the amount of deposits as well as the need of deposit services in GMK Finance if the rates quoted by GMK Finance are no less favourable than the quotes of deposit rates offered by two other financial institutions offering deposit services obtained by the Group;
- (iv) the Group had pledged commercial bills received by the Group in the ordinary course of business to GMK Finance under the Bill Financing Framework Agreement for discounting in return for cash loans extended to the Group and the Group has discretion to make its selection whether such loans shall be remitted or settled through the accounts of the Group maintained with GMK Finance. Where the Group draws such loans from GMK Finance, GMK Finance will make remittance to the accounts of the Group maintained with GMK Finance, and subsequently, where the Group repays such loans to GMK Finance, the amount will be automatically deducted from the aforementioned accounts. As such, the maximum daily balance of deposit will increase significantly but such increase shall not be more than the annual caps obtained for the years ending 31 December 2021 and 2022 pursuant to, a framework agreement dated 25 June 2020 entered into between the Company and GMK Finance for the provision of financial assistance by GMK Finance to the Group through the discounting of commercial bills (the “**Bill Financing Framework Agreement**”) for a term commencing on 16 July 2020 and ending on 31 December 2022, which are RMB600 million and RMB500 million, respectively; and
- (v) the net proceeds from the Global Offering, part of which is expected to be placed with GMK Finance in consideration of the higher deposit interest rates offered by GMK Finance as compared to the three principal bankers of the Company. Since the net proceeds is expected to be utilised over the years 2021 to 2022, the Board of Directors is of the view that placing part of the net proceeds with GMK Finance will allow the Company to earn the same or better interest rate which in turn will optimise the deposit interests obtained and benefit the Group as a whole while maintaining risk management on the level of concentration in respect of deposits placed.

---

## LETTER FROM OCTAL CAPITAL

---

In assessing the fairness and reasonableness of the Annual Caps, we have taken into account the following factors:

- (i) the Group recorded total revenues of approximately RMB2,434.4 million, RMB3,197.1 million and RMB3,926.2 million for the years ended 31 December 2017, 2018 and 2019, respectively, which in aggregate translates to an annual compounded growth of 27.0%. In addition, the Group recorded cash inflow from operating activities of approximately RMB84.4 million, RMB782.9 million, and RMB723.5 million for the years ended 31 December 2017, 2018 and 2019, respectively, which in aggregate translates to an annual compounded growth of approximately 192.7%. As such, with the view of expansion of the Group's core business after the Listing, the management of the Company expects that the continuous growth in revenues will increase the Group's future operating cash flow and will drive greater need for the Deposit Services;
- (ii) the utilisation of the maximum daily balance of deposit (including interests accrued thereon), representing approximately 99.9% of the 2020 Annual Cap, which limited the flexibility of the Company in its funding needs and business operations. Should the Annual Caps be applied, the implied utilisation rate would have been approximately 44.4% for the three months ended 31 August 2020;
- (iii) as shown in the table above, the cash and cash equivalents of the Group increased by approximately 92.4% from approximately RMB563.4 million as at 31 December 2019 to approximately RMB1,084.1 million as at 30 June 2020. Among the cash balance, the 2020 Annual Cap of RMB600 million was utilised under the term of the Existing Deposit Service Framework Agreement with the highest utilisation rate of 99.9%, and the rest of working capital are placed in several commercial banks. The Deposit Services would allow the Group to place its working capital in GMK Finance for interest income to earn the same or better interest rate if the rates quoted by GMK Finance are no less favourable than the quotes of deposit rates offered by the market rate offered by the banks;
- (iv) in regard of the demand of bill financing under the Bill Financing Framework Agreement and the drawdown of such loans balance will be remitted to the accounts of the Group maintained with GMK Finance, the Annual Caps would facilitate the remittance and settlement of the loans obtained through the accounts of the Group maintained with GMK Finance, which in turn enhance cash flow management efficiency of the Group; and

---

## LETTER FROM OCTAL CAPITAL

---

- (v) part of the net proceeds from the Global Offering is expected to be placed with GMK Finance, for interest income to earn the same or better interest rate in view of the plan of use of proceeds over the years 2021 to 2022. Given the unused proceeds are currently placed in several commercial banks and the interest rate proposed by GMK Finance is no less favorable than the market rate offered by the banks, the Deposit Services would allow more efficient fund management according to its plan of use of proceeds and at the same time optimise its return in deposit interest.

Having considered the above, we are of the view that the Annual Caps under the Deposit Service Framework Agreement are fair and reasonable so far as the Company and Independent Shareholders are concerned.

### **5. Internal control and risk management measures of deposits management**

We have discussed with the management of the Company and noted that the Company has adopted several internal control measures to monitor the pricing and terms of the transactions contemplated under the Deposit Service Framework Agreement. The following arrangements are proposed to monitor the non-exempt continuing connected transactions:

- (i) the finance department of the Company shall be responsible for reviewing the pricing terms of the Deposit Services by obtaining quotations from GMK Finance and at least two other independent financial institutions for rates of deposits of an equivalent amount and for the equivalent period, and will only use the Deposit Services if the terms quoted by GMK Finance are no less favourable than the terms quoted by such two other independent financial institutions;
- (ii) the finance department of the Company shall be responsible for monitoring and collecting on a regular basis the actual maximum daily balance of deposits to be placed by the Group with GMK Finance pursuant to the Deposit Service Framework Agreement and the Deposit Agreements, so to ensure that the maximum daily balance will not exceed the proposed annual caps for each financial year;
- (iii) the independent non-executive Directors will review the transactions to be entered into pursuant to the Deposit Service Framework Agreement in order to ensure all such transactions are entered into in accordance with the terms and pricing policies of the Deposit Service Framework Agreement, are on normal commercial terms or better, on terms that are fair and reasonable, and in accordance with and do not exceed the proposed applicable annual caps; and



---

## LETTER FROM OCTAL CAPITAL

---

- (iv) the auditors of the Company will conduct an annual review on the pricing and annual caps of the continuing connected transactions to be entered into pursuant to the Deposit Service Framework Agreement.

We noted from the above that the Company has adopted a set of internal control measures to assign specific responsibilities to various designated departments of the Company in performing regular review and cross-checking on the terms of the provision of the Deposit Services in order to make sure that the provision of the Deposit Services will be conducted on normal commercial terms and in accordance with the Deposit Service Framework Agreement.

For our due diligence purpose and to review the internal control procedures in relation to price setting and monitoring of the 2020 Annual Cap under the Existing Deposit Services Agreement, we have obtained and reviewed two samples of deposit assessment summaries and three samples of daily summaries prepared by the personnel in the finance department for the period from June 2020 to August 2020. The deposit assessment summaries reflected the comparison of deposit rates offered by GMK Finance against those offered by two third party banks or financial institutions in the PRC and the daily summaries reflected the amount deposited to GMK Finance. Based on our review, we note that the samples are in compliance with the internal control measures of the Company and that the Company has put in place internal control measures to ensure that the transactions are conducted fairly and reasonably.

In addition, as advised by the management of the Company, both the Company and GMK Finance have adopted additional risk management measures in relation to the provision of the Deposit Services in order to ensure the protection of the interests of the Company and the Independent Shareholders as a whole, which include:

- (i) GMK Finance shall provide sufficient information to the finance department of the Company (including copies of all regulatory reports required to be submitted to the CBIRC);
- (ii) the finance department of the Company will immediately review relevant information in the regulatory reports, audited financial statements and business licenses provided by GMK Finance and take follow-up measures immediately when problems are identified and the issues will be immediately reported to the management when appropriate;
- (iii) GMK Finance shall provide all applicable financial ratios under the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within the PRC for the Company's review by twenty working days after the end of each quarter;

---

## LETTER FROM OCTAL CAPITAL

---

- (iv) the Group may at any time request for the deposited fund to be withdrawn from GMK Finance, partially or fully, at the Group's discretion, to ensure the liquidity and safety of the deposited fund; and
- (v) GMK Finance and the finance department of the Company will monitor the maximum daily balance of the deposits placed by the Group (including interest accrued thereon) on a daily basis to ensure that the aggregate daily balance of the deposits does not exceed the Annual Caps.

As at the Latest Practicable Date, the management of the Company confirms they are not aware that GMK Finance had any record of non-compliance on the relevant laws and regulations of the PRC. For due diligence purpose, we have obtained and reviewed the credit assessment report of GMK Finance issued by the PBOC and noted that there are no adverse records on the creditworthiness of GMK Finance.

In view of the above, in particular, (i) there are sufficient internal control and risk management measures in place to ensure that the deposits to be placed with GMK Finance will not exceed the Annual Caps in accordance with the Deposit Service Framework Agreement, and (ii) there had not been any record of non-compliance on the relevant laws and regulations of the PRC as advised by the management of the Company, we are of the view that there are sufficient internal control and risk management measures in place to govern and monitor the proposed continuing connected transactions under the Deposit Service Framework Agreement and safeguard the interests of the Independent Shareholders.

---

## LETTER FROM OCTAL CAPITAL

---

### RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors' view that the terms of the Deposit Service Framework Agreement and the Annual Caps are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend to the Independent Shareholders, to vote in favor of the Deposit Service Framework Agreement and the respective Annual Caps thereof at the EGM.

Yours faithfully

For and on behalf of

**Octal Capital Limited**

**Alan Fung**

**Louis Chan**

*Managing Director*

*Director*

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 18 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors', Supervisors' and chief executive's interests in the Company and associated corporations

As at the Latest Practicable Date, save as disclosed below, to the best knowledge of the Directors, Supervisors and chief executive of the Company, none of the Directors, Supervisors or chief executive of the Company have any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, Supervisor or chief executive is taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

#### (a) *The Company*

Director/ Supervisor	Number and class of Shares held <sup>(6)</sup>	Nature of interest	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>	Approximate percentage to the class of Shares <sup>(2)</sup>
Mr. Liu Zhiguang <sup>(3)(4)</sup>	52,145,500 Domestic Shares (L)	Interest in controlled corporation	3.72%	4.99%
	992,854,500 Domestic Shares (L)	Interests held jointly with another person	70.92%	95.01%

Director/ Supervisor	Number and class of Shares held <sup>(6)</sup>	Nature of interest	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>	Approximate percentage to the class of Shares <sup>(2)</sup>
Mr. Liu Xuejing <sup>(3)</sup>	992,854,500 Domestic Shares (L)	Interest in controlled corporation	70.92%	95.01%
Mr. Xiao Dongsheng <sup>(5)</sup>	300,000 H Shares (L)	Beneficiary of a trust	0.021%	0.08%
Mr. Ow Weng Cheong <sup>(5)</sup>	200,000 H Shares (L)	Beneficiary of a trust	0.014%	0.06%
Mr. Wang Jinsheng <sup>(5)</sup>	200,000 H Shares (L)	Beneficiary of a trust	0.014%	0.06%
Ms. Lian Xianmin <sup>(5)</sup>	50,000 H Shares (L)	Beneficiary of a trust	0.004%	0.01%

*Notes:*

- (1) The percentage is calculated based on the 1,400,000,000 issued Shares of the Company as at the Latest Practicable Date.
- (2) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares of the Company.
- (3) GMK Holdings, Fengxiang Group, Fengxiang Investment and Guangdong Hengqin were interested in 14.19%, 44.79%, 11.94% and 3.72% of the total issued share capital of the Company, respectively. Fengxiang Group and Fengxiang Investment are wholly owned by GMK Holdings and in turn held as to 51%, 9%, 20% and 20% by Mr. Liu Xuejing, Ms. Zhang Xiuying, Mr. Liu Zhiguang and Mr. Liu Zhiming, respectively.
- (4) Guangdong Hengqin is indirectly held as to 50% by Mr. Liu Zhiguang and 50% by Mr. Liu Zhiming. Xinfengxiang Guangming, which is owned as to 50% by Mr. Liu Zhiguang and 50% by Mr. Liu Zhiming, is the general partner of Guangdong Hengqin. By virtue of the SFO, Mr. Liu Zhiguang is deemed to be interested in the Shares held by Guangdong Hengqin.
- (5) Mr. Xiao Dongsheng, Mr. Ow Weng Cheong, Mr. Wang Jinsheng and Ms. Lian Xianmin have been granted the awarded shares under the share award scheme adopted by the Company on 4 June 2020 (the “**Share Award Scheme**”), which may vest in the form of H shares or the net sale proceeds of such awarded shares in cash in accordance with the Share Award Scheme.
- (6) The letter “L” denotes a long position in the Shares.

*(b) Associated Corporations*

Director/Supervisor	Associated corporation	Nature of interest	Approximate % of the issued share capital of such company
Mr. Liu Zhiguang	GMK Holdings	Beneficial owner	20%
Mr. Liu Xuejing	GMK Holdings	Beneficial owner	51%
	Fengxiang Investment	Interest in controlled corporation <sup>(1)</sup>	100%
	Fengxiang Group	Interest in controlled corporation <sup>(1)</sup>	100%

*Note:*

(1) Fengxiang Investment and Fengxiang Group are wholly-owned by GMK Holdings.

### 3. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

### 5. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors and Supervisors had entered into or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 6. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any asset which had been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

## 7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Octal Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Octal Capital was not beneficially interested in the share capital of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Group.

As at the Latest Practicable Date, Octal Capital had no direct or indirect interest in any assets which had been since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

Octal Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter(s), report(s), opinion and/or the references to its name in the form and context in which it appears.

The letter and recommendation from Octal Capital are given as at the date of this circular for incorporation herein.

**8. GENERAL**

In case of any discrepancy (except Appendix IV), the English text of this circular and the proxy form shall prevail over the Chinese text.

For the purpose of this circular, the translation of HK\$ into RMB is based on the approximate exchange rate of HK\$1.00 = RMB0.88520. Such translation should not be construed as a representation that the amount in question have been, could have been or could be converted at any particular rate at all.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 14th Floor, Golden Centre, 188 Des Voeux Road Central, Hong Kong during normal business hours on any weekday (except Saturdays and public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Deposit Service Framework Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 20 to 21 of this circular;
- (c) the letter from Octal Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 41 of this circular;
- (d) the Articles of Association;
- (e) the written consent of Octal Capital referred in the paragraph headed “Expert and Consent” in this Appendix I; and
- (f) this circular.



---

## APPENDIX II      **BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

---

Biographical details of the candidates for re-election and appointment as Directors of the fourth session of the Board of Directors are set out as follows:

### **BIOGRAPHIES OF CANDIDATES FOR EXECUTIVE DIRECTORS**

#### **Liu Zhiguang (劉志光)**

Mr. Liu Zhiguang (劉志光), aged 40, the chairman of the Board of Directors and an executive Director. He was appointed as the chairman of the Board of Directors on 1 November 2018 and a Director on 6 December 2010. He is primarily responsible for formulating corporate strategy, planning, business development and supervising the overall operations of the Group. He is the chairman of the nomination committee of the Company (the “**Nomination Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”).

Mr. Liu Zhiguang has over 16 years of experience in corporate and business management and nine years of experience in the poultry industry. He joined the Group in December 2010. Prior to joining the Group, he was an assistant to the general manager and vice general manager of Fengxiang Group from July 2002 to September 2005 and from December 2006 to October 2009, respectively. He was an assistant to the general manager of Xiangguang Copper from September 2005 to December 2006 and has been a general manager of Xiangguang Copper since December 2006. Mr. Liu Zhiguang has been the vice-chairman of the board of directors and president of GMK Holdings since October 2009. He has been the deputy secretary of party committee (黨委副書記) of GMK Holdings since December 2017. He was a representative of the Twelfth and the Thirteenth Shandong Provincial People’s Congress (山東省人民代表大會).

Mr. Liu Zhiguang obtained a bachelor’s degree in economics from Central University of Finance and Economics (中央財經大學) in the PRC in June 2002. Mr. Liu Zhiguang also graduated from the University of Cambridge in the United Kingdom with a master’s degree in philosophy in July 2006.

Mr. Liu Zhiguang is one of the Company’s controlling shareholder and son of Mr. Liu Xuejing.

---

## APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS

---

### **Xiao Dongsheng (肖東生)**

Mr. Xiao Dongsheng (肖東生), aged 48, an executive Director and the general manager of the Company. He was appointed as a Director on 1 November 2018. He is primarily responsible for the sales and marketing functions of the Group. He is also a director of Fengxiang Food Co., Ltd. (鳳祥食品有限公司) (“**Fengxiang Food**”) and Fengxiang Foods (Japan) Co., Ltd. (鳳祥食品株式會社).

Mr. Xiao has over 22 years of experience in corporate and business management. He joined the Group in December 2010. He was a manager of business department in Qingdao division of the Company from December 2010 to December 2011. He has been a general manager and the general manager of international marketing centre of Shandong Fengxiang Food Development Co., Ltd. (山東鳳祥食品發展有限公司) (“**Fengxiang Food Development**”) since December 2011. He has also been a general manager of Fengxiang Food since June 2019.

Prior to joining the Group, Mr. Xiao worked as a manager of business department in Qingdao division of Fengxiang Group from June 1996 to December 2010.

Mr. Xiao obtained a bachelor’s degree in engineering from Nanjing University of Chemical Technology (南京化工學院) (currently known as Nanjing Tech University (南京工業大學)) in the PRC in July 1994.

### **Ow Weng Cheong (區永昌)**

Mr. Ow Weng Cheong (區永昌), aged 59, an executive Director and a vice general manager of the Company. He was appointed as a Director on 1 November 2018. He is primarily responsible for the strategic planning and meat procurement functions of the Group.

Mr. Ow has over 25 years of experience in business and procurement management. He joined the Group in January 2018 as a vice general manager of the Company. He also served several positions at Yum Restaurant Consulting (Shanghai) Company Limited (百勝諮詢(上海)有限公司), a company principally engaged in providing management, business and trade consultation services for the catering industry in China, from April 1994 to December 2017 and his last position was a vice president for procurement management.

---

## APPENDIX II      **BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

---

Mr. Ow completed a course of management studies approved by the Institute of Supervisory Management (currently known as the Institute of Leadership and Management), which is a provider of leadership, coaching and management qualifications in the United Kingdom in November 1984. He also completed the executive development programme from The Wharton School of the University of Pennsylvania in the United States in May 2013.

### **Wang Jinsheng (王進聖)**

Mr. Wang Jinsheng (王進聖), aged 57, an executive Director, a vice general manager, and a general manager of the breeding department of the Company. He was appointed as a Director on 15 October 2013. He is primarily responsible for the breeding function of the Group. Mr. Wang is also a director of Fengxiang Food Development, Shandong Fengxiang Industrial Co., Ltd. (山東鳳祥實業有限公司) (“**Fengxiang Industrial**”) and Yanggu Xiangyu Organic Fertiliser Co., Ltd. (陽穀祥雨有機肥有限公司) (“**Yanggu Xiangyu Organic Fertiliser**”).

Mr. Wang has over 30 years of experience in the poultry industry. He joined the Group in September 2013. He was a general manager of the breeding department of the Company from September 2013 to August 2015 before the internal department restructuring and has been a vice general manager of the Company since September 2013. He then served as the general manager of the Company from August 2015 to November 2018.

Prior to joining the Group, he served as a technician and farm head in the breeder farms of experiment field at Beijing Agricultural University (北京農業大學) (currently known as China Agricultural University (中國農業大學)) from May 1989 to September 1992. He also served as a vice general manager and general manager of Chia Tai Broiler Development Centre (正大肉雞發展中心) at Beijing Agricultural University from September 1992 to July 2003. Mr. Wang served various positions at Chia Tai Group Agro-Industry and Food Business (China Area) (正大集團農牧食品企業(中國區)) from July 2003 to September 2013 as an assistant vice president to the office of chief director and a president and deputy chairman of the poultry business division (China Area). He also served as the head of Beijing Comprehensive Test Station of National Broilers Industry Technology System (國家肉雞產業技術體系北京綜合試驗站) from June 2009 to September 2013.

He completed his education specialising in livestock farming from Zhangjiakou Agricultural College (張家口農業專科學校) in China in July 1985. He completed his education specialising in business administration from the Agriculture and Rural Development College (農業與農村發展學院) of Renmin University of China (中國人民大學) in the PRC in January 2011. He also obtained

---

## APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS

---

a qualification certificate for senior livestock farming specialist (高級畜牧師) issued by Shandong Agricultural Technology Professional Evaluation Committee (山東省農業技術職務高級評審委員會) in March 2017.

### BIOGRAPHIES OF CANDIDATES FOR NON-EXECUTIVE DIRECTORS

#### Liu Xuejing (劉學景)

Mr. Liu Xuejing (劉學景), aged 69, the founder of the Group and a non-executive Director. He was appointed as a Director on 6 December 2010. He is primarily responsible for providing advice to the Board of Directors.

Mr. Liu Xuejing has over 35 years of experience in corporate and business management and 28 years of experience in the poultry industry. He served as a director of Fengxiang Food Development from April 1997 to December 2000. He was the chairman of the Board of Directors from 6 December 2010 to 1 November 2018.

Prior to founding the Group, Mr. Liu Xuejing worked as a cotton planting worker and technician in Yanggu Anle Town Liumiao Village (陽穀縣安樂鎮劉廟村) from August 1971 to September 1983. Mr. Liu Xuejing served as a factory manager of Yanggu Vegetable Oil Processing Factory (陽穀縣植物油加工廠) from February 1985 to October 1991. He then worked as a manager for Shandong Yanggu Xumu Company Limited (山東陽穀畜牧實業公司) from October 1991 to June 1994. Mr. Liu Xuejing served as the chairman of the board of directors of Fengxiang Group since June 1994. He has also been the chairman of the board of directors of Xiangguang Copper since December 2005. Mr. Liu Xuejing has been the chairman of the board of directors and secretary of party committee (黨委書記) of GMK Holdings since October 2009 and December 2012, respectively. He was a representative of the Ninth, the Tenth, the Eleventh, the Twelfth and the Thirteenth National People's Congress (全國人民代表大會).

Mr. Liu Xuejing completed his high school education at Yanggu County Anlezhen High School (陽穀縣安樂鎮中學) in China in July 1969.

Mr. Liu Xuejing is one of the Company's controlling shareholder and father of Mr. Liu Zhiguang.

---

## APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS

---

### Zhang Chuanli (張傳立)

Mr. Zhang Chuanli (張傳立), aged 58, a non-executive Director. He was appointed as a Director on 6 December 2010. He is primarily responsible for providing advice to the Board of Directors.

Mr. Zhang has over 23 years of experience in corporate and business management. He served as a director of Fengxiang Food Development from April 1997 to December 2000.

Prior to joining the Group, he was a teacher at Yanggu County Experimental High School (陽穀縣實驗中學), formerly known as Yanggu County Chengzhen High School (陽穀縣城鎮中學), from September 1980 to September 1990. He worked as an administrative staff at the Yanggu County Development and Reform Bureau (陽穀縣發展和改革局) from September 1990 to August 1995. He served as a vice general manager of Fengxiang Group from August 1995 to August 2001. He has been a director of Zhongke Fengxiang Biotechnology Co., Ltd. (中科鳳祥生物工程股份有限公司) since August 2001. Mr. Zhang has been a director of GMK Holdings, Luxinan Hospital Co., Ltd. (魯西南醫院有限公司) and Fengxiang Group since March 2015, October 2015 and December 2016, respectively.

Mr. Zhang graduated from Liaocheng Teachers College (聊城師範專科學校) in mathematics in the PRC in January 1981. He completed a three-year part-time course in economic management at Shandong Ganbu Hanshou University (山東幹部函授大學) in the PRC in June 1993.

### BIOGRAPHIES OF CANDIDATES FOR INDEPENDENT NON-EXECUTIVE DIRECTORS

### Guo Tianyong (郭田勇)

Mr. Guo Tianyong (郭田勇), aged 52, an independent non-executive Director. He was appointed as a Director on 8 August 2019. He is the chairman of the Remuneration Committee and a member of the audit committee of the Company (the “**Audit Committee**”) and the Nomination Committee.

Mr. Guo has nearly 30 years of experience in banking and finance industry. His work experience includes:

**APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR  
THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

<u>Name of Company</u>	<u>Principal business activity</u>	<u>Position and responsibilities</u>	<u>Period of services</u>
Yantai central sub-branch of the People's Bank of China (中國人民銀行煙台市中心支行)	Operating as a commercial bank	Worker for the computer department and clearing centre	From July 1990 to August 1993
Central University of Finance and Economics (中央財經大學)	A university	Professor	From September 1999 to present
Fangda Carbon New Material Technology Co., Ltd. (方大炭素新材料科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600516)	Provision of graphite and carbon products	Independent director	From January 2009 to March 2012
Beijing Shiji Information Technology Co., Ltd. (北京中長石基信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002153)	Engaging in the development and sale of hotel information management system software	Independent director	From November 2010 to November 2013
Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300378)	Provision of software solution	Independent director	From May 2014 to May 2020
Hundsun Technologies Inc. (恒生電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600570)	Provision of financial software and network service	Independent director	From October 2014 to present
Bank of Tianjin Co., Ltd. (天津銀行股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 01578)	Operating as a commercial bank	Independent non-executive director	From December 2014 to June 2018

**APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR  
THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

<u>Name of Company</u>	<u>Principal business activity</u>	<u>Position and responsibilities</u>	<u>Period of services</u>
Hebei Sitong New Metal Material Co Ltd (河北四通新型金屬材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300428)	Engaging in the research and development, manufacture and sales of aluminium based functional master alloys	Independent director	From February 2014 to April 2017
Jiangxi Bank Co., Ltd. (江西銀行股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 01916)	Operating as a commercial bank	Independent non-executive director	From March 2016 to May 2019
Ping An Bank Co., Ltd. (平安銀行股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000001)	Provision of services in retail and corporate banking	Independent director	From November 2016 to present
Bank of Guiyang Co., Ltd. (貴陽銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601997)	Operating as a commercial bank	Independent director	From March 2010 to July 2017
Zhejiang Orient Holdings Co., Ltd. (浙江東方金融控股集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600120)	Operating as a comprehensive enterprise group integrating commercial circulation, financial investment and real estate development	Independent director	From October 2017 to present
Ping An Healthcare and Technology Company Limited (平安健康醫療科技股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 01833)	Provision of one-stop healthcare ecosystem platform	Independent non-executive director	From May 2018 to present

## APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS

Name of Company	Principal business activity	Position and responsibilities	Period of services
Aa Industrial Belting (Shanghai) Co Ltd (艾艾精密工業輸送系統(上海)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603580)	Engaging in the research and development, production and sales of conveyor belts	Independent director	From October 2018 to present

Mr. Guo completed his education specialising in control science from Shandong University (山東大學) in the PRC in July 1990. He obtained a master's degree in economics from Renmin University of China (中國人民大學) in the PRC in July 1996. He also obtained a doctoral degree in economics from the Financial Research Institute of the People's Bank of China (中國人民銀行總行金融研究所) in the PRC in September 1999.

The Board of Directors has considered Mr. Guo's concurrent directorships and other positions in listed companies. The Board of Directors is of the view that Mr. Guo would be able to commit sufficient time to the affairs of the Company, having regard to the following factors:

- (a) while Mr. Guo is holding positions in five listed companies currently, his role with the Company is as an independent non-executive Director for providing independent advice to the Board of Directors. Mr. Guo has confirmed to the Company that he has the capacity and ability to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director, taking into account his experience and positions that he has previously held in different listed companies;
- (b) Mr. Guo has held different directorships in Hong Kong, Shenzhen and Shanghai listed companies since 2009, and the Board of Directors believe that he has demonstrated his ability to handle multiple demands with his time. He has confirmed that he has not encountered any difficulty in devoting and managing his time among different listed companies that he has been involved in, and none of the listed companies that he participated in had questioned or complained about his time devoted to any of them; and
- (c) in addition, pursuant to the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Board of Directors will regularly review whether each of the Directors is spending sufficient time in performing his/her responsibilities. The Board of Directors will, from time to time, review the Directors' attendance record of their meetings with the Board of Directors and its committee. The Board of Directors will be regularly appraised of any significant



---

## APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS

---

changes to the time commitments of the Directors, and in the event that any concerns arise, the Board of Directors will seek to resolve such concerns with the relevant Director. At the time when any Director is proposed to be re-elected, we will also set out in the circular to the Shareholders and/or explanatory statements accompanying the notice of the relevant general meeting as to the reasons why the Board of Directors believes such individual should be elected, and if appropriate or otherwise required, whether such individual would be able to devote sufficient time to the Board of Directors.

The Board of Directors considers that Mr. Guo is able to devote sufficient time to perform his responsibilities as an independent non-executive Director, and proposes that he stands for re-election at the EGM.

### **Zhang Ye (張曄)**

Mr. Zhang Ye (張曄), aged 49, an independent non-executive Director. He was appointed as a Director on 8 August 2019. He is a member of the Audit Committee and the Nomination Committee.

Mr. Zhang has over 26 years of experience in corporate and business management. Mr. Zhang worked as a manager in Samsung Corporation, Shanghai office (三星物產上海辦事處) from July 1993 to May 1999. He then worked as a chief executive officer of Reed Information (SH) Co., Ltd. (睿也德信息(上海)有限公司) (formerly known as CBI (Shanghai) Co., Ltd. (易貿資訊(上海)有限公司)), a company principally engaged in providing consultancy services in investment information, scientific and technological information, and business management, from June 1996 to October 2010. Mr. Zhang has been the chairman of Shanghai Enmore Technology Holdings Co., Ltd. (上海易貿科技控股有限公司), a company principally engaged in providing information consultancy services, business exhibition, transaction brokerage, supply chain management and financing services, since November 2010. He has also been a director of Shanghai Yiguo E-commerce Co., Ltd. (上海易果電子商務有限公司), a company principally engaged in providing fresh food sales and distribution services, since January 2016. Mr. Zhang was a non-executive director of Lianhua Supermarket Holdings Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 00980), from March 2017 to August 2017. He also has been a non-independent and executive director and the chief executive officer of Sunmoon Food Company Limited, a company listed on the Singapore Exchange Limited (stock code: AAJ), since December 2018.

---

**APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR  
THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

---

Mr. Zhang obtained a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1993. He obtained an executive master of business administration degree from Cheung Kong Graduate School of Business (長江商學院) in the PRC in June 2009. He completed his education specialising in entrepreneurship in Hupan University (湖畔大學) in the PRC in March 2019.

**Chung Wai Man (鍾偉文)**

Mr. Chung Wai Man (鍾偉文), aged 56, an independent non-executive Director. He was appointed as a Director on 8 August 2019. He is the chairman of the Audit Committee and a member of the Remuneration Committee.

---

**APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR  
THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

---

Mr. Chung has over 26 years of experience in accounting, taxation and finance. His work experience includes:

<u>Name of Company</u>	<u>Principal business activity</u>	<u>Position and responsibilities</u>	<u>Period of services</u>
Deloitte Touche Tohmatsu	Certified public accountants	Various, with his last position as manager II	From August 1993 to August 2000
Artel Solutions Group Holdings Limited (currently known as China LNG Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00931))	Provision of computing, multimedia and networking solutions and digital products	Chief financial officer	From August 2000 to August 2002
Venturepharm Laboratories Limited (currently known as China Health Group Inc., a company listed on GEM of the Stock Exchange) (stock code: 08225)	Provision of integrated pharmaceutical service and terminal medical service	Chief financial officer and company secretary	From August 2002 to September 2003
Silver Base International Development Co. Limited (銀基國際發展有限公司)	Engaging in trading the Chinese liquor in the wholesale market	Chief financial officer	From May 2004 to September 2007
Silver Base Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00886)	Distribution and sale of high-end liquors	Executive director and chief financial officer	From September 2007 to September 2010
KVB Kunlun International (HK) Limited	Provision of diversified financial products to overseas Asian community	Corporate finance director	From June 2012 to January 2013
E Lighting Group Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 08222)	Retail chain business in lighting and household products	Independent non-executive director	From September 2014 to present

**APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR  
THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

<u>Name of Company</u>	<u>Principal business activity</u>	<u>Position and responsibilities</u>	<u>Period of services</u>
Legend Strategy International Holdings Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01355)	Provision of hotel operations, hotel consultations and management services	Independent non-executive director	From June 2015 to November 2016
		Chief financial officer, company secretary, authorised representative and process agent	From November 2016 to February 2017
		Non-executive director	From February 2017 to November 2017
Net Pacific Financial Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited (stock code: 5QY)	Provision of financing services to small and medium-sized companies in the PRC, Hong Kong, Australia and beyond	Independent non-executive director	From June 2018 to present

Mr. Chung also served as a vice general manager and chief financial officer of China Taihe Group Limited from February 2017 to May 2019. He has also been a vice general manager and chief financial officer of Huapei Global Capital Limited (華沛環球資本有限公司) since June 2019 and a director of Wenhua Renpei Group Holding Limited (文華仁沛集團控股有限公司) since May 2020.

Mr. Chung obtained a bachelor's degree in social sciences from University of Hong Kong in Hong Kong in December 1989 and a master's degree in international business management from City University of Hong Kong in Hong Kong in November 1998. Mr. Chung has been an associate member of the Hong Kong Institute of Certified Public Accountants since April 1995 and a fellow of The Association of Chartered Certified Accountants in the United Kingdom since November 1999.

---

## **APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

---

### **View of the Board of Directors and Nomination Committee**

To ensure that the Board of Directors has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, the Board of Directors has adopted the nomination policy of the Company, setting out the process and criteria of identifying potential candidates of the Company and proposing re-election of Directors. The Nomination Committee, when forming their recommendations on the proposals of re-election of Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man, has been following the Company's nomination policy, which has been disclosed in the website of the Company.

The Nomination Committee had assessed and reviewed Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man's written confirmation of independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules and confirmed that as at the date of this circular, each of Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man, remains independent.

The Nomination Committee also reviewed and considered Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man's experience, skills and other perspectives as set out above having regard to the nomination policy and board diversity policy of the Company. The Company has benefited greatly from each of Mr. Guo Tianyong and Mr. Zhang Ye, whom is beneficial to the Board of Directors with diversity of comprehensive experience in banking and finance, and corporate and business management, respectively. The Company has also benefited greatly from Mr. Chung Wai Man's contribution and valuable insights derived from his professional knowledge as an accountant.

The Board of Directors is of the view that each of Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man is able to continue to fulfil his role as required of an independent non-executive Director and contribute to maintain the diversity in the Board of Directors' composition. Therefore, with the recommendation of the Nomination Committee, the Board of Directors has proposed that each of Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man stands for re-election as an independent non-executive Director at the EGM.

The above candidates for re-election or appointment of executive Directors, non-executive Directors and independent non-executive Directors will enter into service contracts with the Company upon the approval of their re-elections or appointments at the EGM.

Pursuant to the terms of the service contracts, the term of their appointments will be three years from the date of their re-elections or appointments become effective. The proposed remuneration package for the Directors is set out on page 16 of this circular.

---

**APPENDIX II      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR  
THE FOURTH SESSION OF THE BOARD OF DIRECTORS**

---

Save as disclosed in pages 42 to 44 of this circular, as at the Latest Practicable Date, none of the above candidates for the executive Directors, non-executive Directors and independent non-executive Directors have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, the above candidates for the executive Directors, non-executive Directors and independent non-executive Directors (1) have not held any directorships in any public listed companies in the past three years, and they do not have any other major appointment and professional qualifications; (2) do not have any positions with the Company; and (3) are not connected with any Directors, Supervisors, senior management or substantial shareholders or controlling shareholders of the Company.

Save as disclosed above, there are no other matters concerning the proposed re-election or appointment of the above candidates as the Directors of the fourth session of the Board of Directors that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

---

## **APPENDIX III      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF SUPERVISORS**

---

Biographical details of the candidates for re-election or appointment as shareholders representative Supervisors of the fourth session of the Board of Supervisors are set out as follows:

### **BIOGRAPHIES OF CANDIDATES FOR SHAREHOLDERS REPRESENTATIVE SUPERVISORS**

#### **Kong Xiangwei (孔祥偉)**

Mr. Kong Xiangwei (孔祥偉), aged 42, the chairman of the Board of Supervisors and a shareholders representative Supervisor. He was appointed and reappointed as a Supervisor on 9 January 2016 and 16 September 2019, respectively.

Mr. Kong joined the Group in October 2014. He has been a supervisor of Yanggu Xiangyu Organic Fertiliser since October 2014. He also was a human resources administration manager of Fengxiang Food Development from October 2015 to October 2017.

Prior to joining the Group, Mr. Kong was a manager of Yanggu Yijia Service Co., Ltd. (陽穀益佳服務有限公司) from February 2012 to October 2015. He also worked as landscape garden manager of Shandong Xiangtai Yongan Engineering Technology Co., Ltd. (山東祥泰永安工程技術有限公司) from October 2017 to April 2019. Mr. Kong has been a director of corporate management department in Yanggu County Agricultural Development Co., Ltd. (陽穀縣農業開發有限公司) since April 2019.

Mr. Kong obtained a bachelor's degree in dyeing and weaving art design from Shandong University of Art & Design (山東工藝美術學院) in the PRC in June 2002.

#### **Chen Dehe (陳德賀)**

Mr. Chen Dehe (陳德賀), aged 32, a shareholders representative Supervisor. He was appointed as a Supervisor on 1 November 2018.

Mr. Chen joined the Group in February 2013. He was a management officer of the Company from February 2013 to December 2013. Mr. Chen served as a secretary to the general manager of the Company from December 2013 to October 2016 and a vice manager of the administrative department of the Company from October 2016 to March 2018. He also served as an executive manager of the Company from March 2018 to April 2019. He has been a deputy director of Yanggu Xiangyu Organic Fertiliser from April 2019 to September 2019 and has been its director since September 2019. He has been the supervisor of Fengxiang Food Development, Fengxiang Industrial and Fengxiang Food since January 2016.

---

### **APPENDIX III      BIOGRAPHIES OF THE CANDIDATES PROPOSED FOR THE FOURTH SESSION OF THE BOARD OF SUPERVISORS**

---

Prior to joining the Group, Mr. Chen worked as a construction site representative and commissioner for the company system construction at Shandong Fengxiang LDC, Corporation Ltd. (山東鳳祥 — 愛迪西股份有限公司) from July 2011 to May 2012 and from May 2012 to February 2013, respectively.

Mr. Chen obtained a bachelor's degree in mathematics and applied mathematics from Suihua College (綏化學院) in the PRC in June 2011.

The above candidates for re-election or appointment as Supervisors will enter into service contracts with the Company upon the approval of their re-elections or appointments at the EGM.

Pursuant to the terms of the service contracts, the term of their appointments will be three years from the date of their re-elections or appointments become effective. They will not receive any remuneration as Supervisors from the Company.

As at the Latest Practicable Date, none of the above candidates for Supervisors has any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, the above candidates for Supervisors (1) have not held any directorships in any public listed companies in the past three years, and they do not have any other major appointment and professional qualifications; (2) do not have any positions with the Company; and (3) are not connected with any Directors, Supervisors, senior management or substantial shareholders or controlling shareholders of the Company.

Save as disclosed above, there are no other matters concerning the proposed re-election or appointment of the above candidates as the Supervisors of the fourth session of the Board of Supervisors that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.



---

## APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

---

*The Articles of Association are written in Chinese. The English version is an unofficial translation of its Chinese version and is for reference only. In case of any discrepancies, the Chinese version shall prevail.*

The proposed amendments to the Articles of Association are set out below:

**It is proposed that Article 11 be amended as follow:**

**Article 11** ~~The business scope of the Company is: feed processing; poultry feeding, slaughtering, processing and sale (only limited to preliminarily processed products); wholesale and retail of prepackaged food and loose food; sale of veterinary preparations (excluding veterinary biologicals); production and sale of feed, organic fertilizers and biological fertilizers. Feeding, breeding and sale of Arbor Aere Plus (AA+) Parent Stock Broilers and sale of breeding eggs (operated only by branch offices); harmless treatment of dead livestock and poultry; feeding technique consultancy service; research and development of non-staple food. Cultivation, planting and promotion of Chinese herbal medicine and relevant technology consultancy service. Import and export of self-operated and distributed commodities and technologies (excluding those commodities and technologies designated by the State to be dealt in by specific companies or prohibited from import and export). (For items required to be approved by law, operation may be conducted only with the approval of relevant departments) Licensed items: poultry breeding; poultry slaughtering; production of breeding livestock and poultry; operation of breeding livestock and poultry; food production; food operation; Internet sales of foods; grain purchase; feed production; veterinary drug operation; fertilizer production; animal carcass innocuous treatment; import and export of foods; import and export of goods; import and export of technologies; import and export agency. (For items required to be approved by law, operation may be conducted only with the approval of relevant departments, and specific licensed items should be determined by approval documentations or licenses issued by relevant government agencies) General items: sales of livestock and fishery feeds; sales of agricultural by-products; sales of fertilizer; technical services, technology development, technology consultation, technology exchange, technology transfer, technology promotion; Chinese herbal medicine cultivation; purchase and sale of Chinese herbal medicine (excluding Chinese medicine decoction pieces) of the place of origin; conference and exhibition services. (Except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business licence(s) in accordance with the laws).~~

The business scope referred to in the preceding paragraph shall be subject to review by the company registration authority.

---

## APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

---

The Company may adjust its business scope according to changes in domestic and overseas markets, business development and natural capability and business needs, and shall register relevant changes with the relevant administration for industry and commerce.

**It is proposed that Article 22 be amended as follow:**

**Article 22** The registered capital of the Company is RMB1,400,000,000. ~~RMB1,045,000,000~~ before the issuance. ~~If the over-allotment option is not exercised, the registered capital of the Company is RMB1,400,000,000. If the over-allotment option is exercised in full, the registered capital of the Company is RMB1,453,250,000.~~

---

## NOTICE OF EGM

---



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 EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**EGM**”) 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 Friday, 6 November 2020 at 9:00 a.m. for the purpose of considering and, if thought fit, passing 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 circular of the Company dated 30 September 2020 (the “**Circular**”):

#### **ORDINARY RESOLUTIONS**

**THAT:**

1. (a) the execution of the Deposit Service Framework Agreement and its proposed annual caps (as defined and described in the Circular) be and are hereby confirmed, ratified and approved and the transactions contemplated thereunder be and are hereby approved; and
- (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to the Deposit Service Framework Agreement and its proposed annual caps and completing the transactions contemplated thereunder.

---

## NOTICE OF EGM

---

2. To consider and approve, each as a separate resolution, the following candidates as Directors of the fourth session of the Board of Directors with a term of three years commencing from the conclusion of the EGM and the Board of Directors be authorised to fix their remuneration:
  - (a) to consider and approve the re-election of Liu Zhiguang as an executive Director of the fourth session of the Board of Directors;
  - (b) to consider and approve the re-election of Xiao Dongsheng as an executive Director of the fourth session of the Board of Directors;
  - (c) to consider and approve the re-election of Ow Weng Cheong as an executive Director of the fourth session of the Board of Directors;
  - (d) to consider and approve the re-election of Wang Jinsheng as an executive Director of the fourth session of the Board of Directors;
  - (e) to consider and approve the re-election of Liu Xuejing as a non-executive Director of the fourth session of the Board of Directors;
  - (f) to consider and approve the re-election of Zhang Chuanli as a non-executive Director of the fourth session of the Board of Directors;
  - (g) to consider and approve the re-election of Guo Tianyong as an independent non-executive Director of the fourth session of the Board of Directors;
  - (h) to consider and approve the re-election of Zhang Ye as an independent non-executive Director of the fourth session of the Board of Directors; and
  - (i) to consider and approve the re-election of Chung Wai Man as an independent non-executive Director of the fourth session of the Board of Directors.
  
3. To consider and approve, each as a separate resolution, the following candidates as shareholders representative Supervisors of the fourth session of the Board of Supervisors with a term of three years commencing from the conclusion of the EGM:
  - (a) to consider and approve the re-election of Kong Xiangwei as a shareholders representative Supervisor of the fourth session of the Board of Supervisors; and
  - (b) to consider and approve the re-election of Chen Dehe as a shareholders representative Supervisor of the fourth session of the Board of Supervisors.

---

## NOTICE OF EGM

---

### SPECIAL RESOLUTION

**THAT:**

4. (a) the proposed amendments to the articles of association of the Company (details of which are set out in “Proposed Amendments to the Articles of Association” in Appendix IV to the Circular) (the “**Articles Amendments**”), be and are hereby approved and confirmed; and
- (b) any one or more directors of the Company, the secretary of the Board and its authorised persons be and are hereby authorised to handle all necessary applications, submissions, registrations and filings and other related matters (including revisions to wordings as requested by the relevant regulatory authorities in the PRC) in connection with the Articles Amendments and any of the foregoing.

By order of the Board  
**Shandong Fengxiang Co., Ltd.**  
**LIU Zhiguang**  
*Chairman*

Shandong, the PRC  
30 September 2020

*Notes:*

1. The holders of H Shares and Domestic Shares whose names appear on the registers of the members of the Company on Friday, 6 November 2020 are entitled to attend and vote at the EGM. The register of members of the Company will be closed from Tuesday, 3 November 2020 to Friday, 6 November 2020, (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, Wan Chai, 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 Monday, 2 November 2020.
2. Any Shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf. A proxy needs not be a Shareholder of the Company.
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 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 EGM 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

---

## NOTICE OF EGM

---

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).

4. Shareholders or their proxies are required to produce their identification documents when attending the EGM.
5. Miscellaneous
  - i. It is expected that the EGM 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 EGM are set out in the circular of the Company in respect of the EGM dated 30 September 2020.
  - iii. The address of Computershare Hong Kong Investor Services Limited is:

17M 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 (531) 8656 6593  
Fax: +86 (531) 8656 6593

*As at the date of this notice, the Board of Directors comprises Mr. Liu Zhiguang, Mr. Xiao Dongsheng, Mr. Ow Weng Cheong and Mr. Wang Jinsheng as executive Directors; Mr. Liu Xuejing and Mr. Zhang Chuanli as non-executive Directors; and Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man as independent non-executive Directors.*