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凤祥食品

FALCON HOLDING LP

(limited partnership formed in the Cayman Islands)

SHANDONG FENGXIANG CO., LTD.

山東鳳祥股份有限公司

*(A joint stock company incorporated
in the People's Republic of China with limited liability)
(Stock code: 9977)*

JOINT ANNOUNCEMENT

- (1) ACQUISITION OF APPROXIMATELY 70.92% SHAREHOLDING IN SHANDONG FENGXIANG BY THE OFFEROR**
 - (2) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY CMB INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF THE OFFEROR FOR ALL THE ISSUED H SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR)**
 - (3) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY THE OFFEROR FOR ALL THE ISSUED DOMESTIC SHARES IN SHANDONG FENGXIANG (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR)**
 - (4) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF SHANDONG FENGXIANG**
- AND**
- (5) RESUMPTION OF TRADING IN H SHARES**

Financial adviser to the Offeror



ACQUISITION OF APPROXIMATELY 70.92% SHAREHOLDING IN SHANDONG FENGXIANG BY THE OFFEROR BY WAY OF AUCTION AND PURSUANT TO THE SPA

As at the date of this joint announcement, GMK Holdings directly or indirectly through its wholly owned subsidiaries, Fengxiang Group and Fengxiang Investment, holds a total of 992,854,500 Domestic Shares, representing approximately 70.92% of the total share capital or approximately 95.01% of all the issued Domestic Shares of Shandong Fengxiang.

On 5 May 2022, an application for Judicial Restructuring was filed against Xiangguang Copper, a subsidiary of GMK Holdings, with the Liaocheng Intermediate People's Court, Shandong Province in the PRC by a creditor on the ground that Xiangguang Copper is unable to repay the debts falling due.

The People's Court of Yanggu County, Shandong Province in the PRC as appointed to hear the case, subsequently accepted the application of Judicial Restructuring of 19 companies, including GMK Holdings, Fengxiang Group and Fengxiang Investment (collectively, the Controlling Shareholders) and Xiangguang Copper (but, for the avoidance of doubt, does not include Shandong Fengxiang).

On 16 September 2022, an auction announcement has been published by the Administrator on the Auction Platform in relation to the proposed auction sale of the Sale Shares held by the Controlling Shareholders through an auction process to be conducted on the Auction Platform.

As further set out in the announcements of Shandong Fengxiang dated 20 September 2022 and 26 September 2022, the Auction would take place between 9:00 a.m. on 15 October 2022 to 9:00 a.m. on 16 October 2022 through the Auction Platform.

On 10 October 2022, the Security Deposit of RMB100,000,000 has been paid onshore by a related party of the Offeror (as the Offeror's agent) according to the requirement of the Administrator.

On 16 October 2022:

- (a) the Offeror won the Auction at the aggregate bid price of RMB1,372,279,100 (equivalent to HK\$1,502,336,359) for the Sale Shares, which represents a consideration of RMB1.3822 per Sale Share (equivalent to HK\$1.5132 per Sale Share);

- (b) the Bidding Confirmation (《競價結果確認書》) was issued to the Offeror; and
- (c) the SPA entered into between the Offeror, the Administrator and the Controlling Shareholders, pursuant to which the Offeror has conditionally agreed to buy, and the Administrator and the Controlling Shareholders (being entities under the scope of the Judicial Restructuring and under the control of the Administrator) have conditionally agreed to sell, the Sale Shares, for a total cash consideration equal to the Acquisition Consideration, pursuant to the Auction and the terms and conditions of the SPA, took effect.

The Sale Shares Transfer is subject to all of the Acquisition Conditions/Transfer Procedures as set out in the paragraph headed “Acquisition Conditions/Transfer Procedures” in the section headed “Acquisition of approximately 70.92% shareholding in Shandong Fengxiang by the Offeror by way of Auction and pursuant to the SPA” in this joint announcement having been satisfied and completed in accordance with the terms and conditions of the SPA.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS

As at the date of this joint announcement, the Offeror and parties acting in concert with it, do not hold, control or have direction over any Shares in the share capital, voting rights or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Shandong Fengxiang.

Assuming no changes to the issued share capital of Shandong Fengxiang from the date of this joint announcement to the Sale Shares Transfer Date, immediately after the Sale Shares Transfer, the Offeror and parties acting in concert with it will be interested in a total of 992,854,500 Domestic Shares (being the Sale Shares), representing approximately 70.92% of the issued share capital or approximately 95.01% of all the issued Domestic Shares of Shandong Fengxiang as at the date of the joint announcement.

Pursuant to Rule 26.1 of the Takeovers Code, subject to and upon the Sale Shares Transfer, the Offeror will be required to make mandatory unconditional general offers in cash for all the issued Domestic Shares and H Shares not already owned or agreed to be acquired by the Offeror in accordance with the Takeovers Code.

Subject to and upon the Sale Shares Transfer, (i) the Offeror will make the Domestic Share Offer; and (ii) CMBI, on behalf of the Offeror, will make the H Share Offer in compliance with the Takeovers Code on the following basis:

For each H ShareHK\$1.5132 in cash

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

The H Share Offer Price of HK\$1.5132 per Offer Share under the H Share Offer is equal to the price of RMB1.3822 per Sale Share, as translated into HK\$ based on the Applicable RMB:HKD Exchange Rate (i.e. the exchange rate of HK\$1.00 to RMB0.91343, being the median exchange rate on the date of this joint announcement, as announced by the People’s Bank of China). The principal terms of the Offers are set out in the section headed “Possible mandatory unconditional cash offers” of this joint announcement.

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

The H Share Offer is valued at HK\$537,186,000 based on the H Share Offer Price of HK\$1.5132 per H Share; and the Domestic Share Offer is valued at RMB72,075,510 based on the Domestic Share Offer Price of RMB1.3822 per Domestic Share.

CONFIRMATION OF FINANCIAL RESOURCES

The aggregate of the cash amount payable as Acquisition Consideration for the Sale Shares pursuant to the Auction and the SPA is RMB1,372,279,100.

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

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

The total cash consideration payable for (i) the Sale Shares pursuant to the Auction and (ii) the Offers is approximately HK\$2,118,428,799. The Offeror intends to finance the cash consideration required for the Transactions with equity commitments from PAG Fund IV.

CMBI, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to (i) pay the Acquisition Consideration so as to complete the Acquisition; and (ii) satisfy the amount of funds required for the full acceptances of the Offers.

OFFEROR'S INTENTION ON SHANDONG FENGXIANG

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

DELISTING RESOLUTION

The Offeror proposes to delist Shandong Fengxiang from the Stock Exchange and accordingly Shandong Fengxiang has agreed to convene the Shareholders Meetings for the purpose of Independent Shareholders to consider and vote on the Delisting Resolution (among other business). If the Delisting Resolution is approved, it will not become effective until the end of the offer period in respect of the Offers. A circular (which will be combined with the Composite Document) will be sent to the Shareholders after the Sale Shares Transfer Date setting out the delisting proposal and containing the notice of meeting in relation to the Delisting Resolution.

The Delisting Resolution will be subject to:

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

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

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

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

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, Shandong Fengxiang has established the Independent Board Committee comprising the independent non-executive Directors who have no direct or indirect interest in the Offers, namely Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man, to advise the Independent Shareholders as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers and how to vote in respect of the Delisting Resolution.

As (a) Mr. Liu Xuejing, a non-executive Director, was a shareholder of GMK Holdings and (b) Mr. Zhang Chuanli, a non-executive Director, was a director of GMK Holdings, each of Mr. Liu Xuejing and Mr. Zhang Chuanli is therefore not considered as independent for the purpose of giving advice or recommendations to the Independent Shareholders.

An independent financial adviser will be appointed by Shandong Fengxiang (with the approval of the Independent Board Committee) to advise the Independent Board Committee in respect of the Offers and the Delisting Resolution and, in particular, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers and how to vote in respect of the Delisting Resolution. A further announcement will be made by Shandong Fengxiang as soon as possible after the appointment of the independent financial adviser.

DESPATCH OF THE COMPOSITE DOCUMENT

If the Offers are made, it is the intention of the Offeror and Shandong Fengxiang that the Composite Document comprising the offer document from the Offeror and the response document from the Board be jointly despatched by the Offeror and Shandong Fengxiang to the Shareholders in accordance with the requirements of the Takeovers Code. The Composite Document will contain, among other things, (i) details of the Offers (including the expected timetable and terms of the Offers) and the Delisting Resolution; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offers and the Delisting Resolution; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in relation to the Offers and the Delisting Resolution; (iv) the Forms of Acceptance; and (v) the proxy forms.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be despatched within 21 days of the date of this joint announcement. However, as the making of the Offers is subject to the Sale Shares Transfer having occurred, which in turn is subject to satisfaction and completion of the Acquisition Conditions/Transfer Procedures which are not expected to be satisfied within 21 days of the date of this joint announcement, the Offeror will make an application to the Executive under Rule 8.2 of the Takeovers Code for the Executive's consent to extend the deadline for despatch of the Composite document to within 7 days after Sale Shares Transfer. Further announcement(s) will be made by the Offeror and Shandong Fengxiang on the timing of despatch of the Composite Document.

The making of the Offers is subject to Sale Shares Transfer having occurred which in turn is subject to the satisfaction and completion of certain Acquisition Conditions/Transfer Procedures as described in the paragraph headed "Acquisition Conditions/Transfer Procedures" in the section headed "Acquisition of approximately 70.92% shareholding in Shandong Fengxiang by the Offeror by way of Auction and pursuant to the SPA" in this joint announcement. The Offers therefore may or may not be made. The Shareholders and potential investors are advised to exercise extreme caution when dealing in the securities of Shandong Fengxiang, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders are encouraged to read the Composite Document carefully, including the advice of the independent financial adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offers, before deciding whether or not to accept the Offers or how to vote in respect of the Delisting Resolution.

RESUMPTION OF TRADING IN H SHARES

At the request of Shandong Fengxiang, trading in H Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 17 October 2022 pending the release of this joint announcement. Application has been made by Shandong Fengxiang to the Stock Exchange for resumption of trading in H Shares with effect from 9:00 a.m. on 31 October 2022.

Notice to U.S. Holders of H Shares

The H Share Offer will be made for the securities of a company incorporated in the Cayman Islands with limited liability and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States. In addition, U.S. holders of Shares should be aware that this joint announcement has

been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The H Share Offer will be extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO. Accordingly, the H Share Offer will be subject to Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

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

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

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

A. ACQUISITION OF APPROXIMATELY 70.92% SHAREHOLDING IN SHANDONG FENGXIANG BY THE OFFEROR BY WAY OF AUCTION AND PURSUANT TO THE SPA

Reference is made to the announcements of Shandong Fengxiang dated 20 September 2022 and 26 September 2022 pursuant to Rule 3.7 of the Takeovers Code, Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the SFO, in relation to, among other things, the judicial auction of Shares held by the Controlling Shareholders.

AUCTION

As at the date of this joint announcement, GMK Holdings directly or indirectly through its wholly owned subsidiaries, Fengxiang Group and Fengxiang Investment, holds a total of 992,854,500 Domestic Shares, representing approximately 70.92% of the total share capital or approximately 95.01% of all the issued Domestic Shares of Shandong Fengxiang.

On 5 May 2022, an application for Judicial Restructuring was filed against Xiangguang Copper, a subsidiary of GMK Holdings, with the Liaocheng Intermediate People's Court, Shandong Province in the PRC by a creditor on the ground that Xiangguang Copper is unable to repay the debts falling due.

The People's Court of Yanggu County, Shandong Province in the PRC as appointed to hear the case, subsequently accepted the application of Judicial Restructuring of 19 companies, including GMK Holdings, Fengxiang Group and Fengxiang Investment (collectively, the Controlling Shareholders) and Xiangguang Copper (but, for the avoidance of doubt, does not include Shandong Fengxiang).

On 16 September 2022, an auction announcement has been published by the Administrator on the Auction Platform in relation to the proposed auction sale of the Sale Shares held by the Controlling Shareholders through an auction process to be conducted on the Auction Platform.

As further set out in the announcements of Shandong Fengxiang dated 20 September 2022 and 26 September 2022, the Auction would take place between 9:00 a.m. on 15 October 2022 to 9:00 a.m. on 16 October 2022 through the Auction Platform.

On 10 October 2022, the Security Deposit of RMB100,000,000 has been paid onshore by a related party of the Offeror (as the Offeror's agent) according to the requirement of the Administrator.

On 16 October 2022:

- (a) the Offeror won the Auction at the aggregate bid price of RMB1,372,279,100 (equivalent to HK\$1,502,336,359) for the Sale Shares, which represents a consideration of RMB1.3822 per Sale Share (equivalent to HK\$1.5132 per Sale Share);
- (b) the Bidding Confirmation (《競價結果確認書》) was issued to the Offeror; and
- (c) the SPA entered into between the Offeror, the Administrator and the Controlling Shareholders, pursuant to which the Offeror has conditionally agreed to buy, and the Administrator and the Controlling Shareholders (being entities under the scope of the Judicial Restructuring and under the control of the Administrator) have conditionally agreed to sell, the Sale Shares, for a total cash consideration equal to the Acquisition Consideration, pursuant to the Auction and the terms and conditions of the SPA, took effect.

Sale Shares

The Sale Shares, being 992,854,500 Domestic Shares, represent approximately 70.92% of the existing issued share capital or approximately 95.01% of all the issued Domestic Shares of Shandong Fengxiang as at the date of this joint announcement.

Pursuant to the SPA, at the Sale Shares Transfer, the Sale Shares shall be acquired with all rights and benefits which will be on the Sale Shares Transfer Date attaching or may at any time thereafter become attached thereto.

Consideration for the Sale Shares

The Acquisition Consideration, being an aggregate amount equal to RMB1,372,279,100 (equivalent to HK\$1,502,336,359), represents a consideration of RMB1.3822 per Sale Share (equivalent to HK\$1.5132 per Sale Share).

Acquisition Conditions/Transfer Procedures

The Sale Shares Transfer is subject to each of the following conditions precedent and transfer procedures as set out in the SPA (together, the “**Acquisition Conditions/Transfer Procedures**”) having been satisfied and completed:

- (i) Governance of Shandong Fengxiang: the Administrator shall have implemented interim measures to procure that Shandong Fengxiang shall operate in its ordinary course of business and be governed in accordance with the SPA with effect from the Bidding Confirmation Date;
- (ii) Financial resources: as soon as practicable after the Bidding Confirmation Date, the Offeror shall have provided to the Administrator adequate proof of its financial resources required for the payment of the Acquisition Consideration;
- (iii) SAMR Merger Control Filing: the Offeror shall have made the requisite merger control filing to the SAMR as soon as practicable after the Bidding Confirmation Date, and shall have obtained a notice from the SAMR approving the Transactions;
- (iv) Escrow Account or letter of credit: the Offeror shall open the Escrow Account within a specified period with the assistance and cooperation of the Administrator. The Offeror, the Administrator or the designated representative of the Administrator shall enter into the Escrow Agreement after the Escrow Account is opened. Alternatively, in the event that the Escrow Account can only be opened after a substantial period of time, the Offeror may elect to provide a letter of credit in the amount of the Acquisition Consideration to the Administrator or the Controlling Shareholders;
- (v) Necessary documents for the change of the legal representative: within five (5) days after the Offeror notifying the Administrator of the receipt of approval from the SAMR as referred to in paragraph (iii) above, the Administrator shall procure that Shandong Fengxiang shall provide completed but unsigned copies of all necessary documents for the purposes of effecting the registration for a change in legal representatives of Shandong Fengxiang; and
- (vi) Payment of the Acquisition Consideration: within three (3) days after the Offeror receiving the necessary documents for the change of the legal representative as referred to in paragraph (v) above, and conditional upon no events having occurred which may lead to the termination of the SPA, the Offeror shall pay the Acquisition Consideration into the Escrow Account.

As at the date of this joint announcement, none of the Acquisition Conditions/ Transfer Procedures has been satisfied or completed.

Sale Shares Transfer

The Sale Shares Transfer shall take place within five (5) business days after the payment of the Acquisition Consideration into the Escrow Account or provision of the letter of credit by the Offeror (or such other date as agreed between the Offeror and the Administrator), pursuant to which the Offeror will be registered as the holder of the Sale Shares with the CSDC, and a “Securities Transfer Registration Confirmation” (證券過戶登記確認書) issued by the CSDC will be obtained. Further announcement(s) will be made upon the Sale Shares Transfer as and when appropriate in accordance with the Takeovers Code and/or the Listing Rules.

Post-Transfer Settlement

Within five (5) business days after the Sale Shares Transfer, the Administrator shall procure that each of the Controlling Shareholder shall open the Asset Realisation Accounts which shall be under complete control of the Administrator. After the Sale Shares Transfer and within five (5) business days after the opening of the Asset Realisation Accounts (or such other date as agreed between the Offeror and the Administrator), the Post-Transfer Settlement shall take place as follows:

- (i) the Offeror and the Administrator shall jointly procure that the Acquisition Consideration shall be released from the Escrow Account and paid proportionally into each of the Asset Realisation Accounts, upon which the obligation on the Offeror to pay the Acquisition Consideration shall be fully satisfied and discharged;
- (ii) the Security Deposit shall be returned in full by the Administrator to the onshore related party of the Offeror (as the Offeror’s agent); and
- (iii) the Administrator or the designated person of the Administrator approved by the Offeror shall be removed from the approval process for the use or storage of various company chops of Shandong Fengxiang, and the Administrator shall provide the signed copies of all necessary documents for the purposes of effecting the registration for a change in legal representatives of Shandong Fengxiang to the Offeror.

Termination

(a) *Termination by the Offeror*

The Offeror may, by notice in writing to the other parties to the SPA, terminate the SPA if:

- (i) the Offeror has evidence that any of the Acquisition Conditions/Transfer Procedures or the Post-Transfer Settlement steps to be satisfied by the Administrator and/or any Controlling Shareholder is not satisfied by reason of the Administrator and/or the Controlling Shareholders, and such failure has not been waived by the Offeror, resulting in the Post-Transfer Settlement not taking place within four (4) months after the Bidding Confirmation Date (or any other later date as agreed by the Offeror in writing); or
- (ii) the Offeror has evidence that (a) any representation or warranty given by the Administrator or any Controlling Shareholder under the SPA is inaccurate or misleading in a material respect, preventing the Offeror from acquiring the Sale Shares or obtaining control over Shandong Fengxiang, or resulting in the Offeror suffering from a material loss; or (b) if any undertaking or other obligation of the Administrator and/or any Controlling Shareholder under the SPA has not been performed, and the Administrator and/or the Controlling Shareholders fail to perform such obligation immediately upon written notice from the Offeror.

(b) *Termination by the Offeror or the Administrator*

The Offeror or the Administrator may, by notice in writing to the other parties to the SPA, terminate the SPA if:

- (i) the Offeror notifies the Administrator in writing of its repudiation of the Auction, or any of the Acquisition Conditions/Transfer Procedures to be satisfied by the Offeror is not satisfied solely by reason of the Offeror, resulting in the Post-Transfer Settlement not taking place within four (4) months after the Bidding Confirmation Date;
- (ii) the Post-Transfer Settlement does not take place within four (4) months after the Bidding Confirmation Date by certain reasons other than the Administrator or the Controlling Shareholders; or
- (iii) the Acquisition being reversed and restituted as a result of the Offeror failing to publish an announcement or fulfil the mandatory general offer obligation in relation to the proposed transactions under the SPA in accordance with the Takeovers Code and the Listing Rules

notwithstanding that the Administrator, the Controlling Shareholders and Shandong Fengxiang having provided the necessary assistance for such purposes.

B. POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS

As at the date of this joint announcement, the Offeror and parties acting in concert with it, do not hold, control or have direction over any Shares in the share capital, voting rights or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Shandong Fengxiang.

Assuming no changes to the issued share capital of Shandong Fengxiang from the date of this joint announcement to the Sale Shares Transfer Date, immediately after Sale Shares Transfer, the Offeror and parties acting in concert with it will be interested in a total of 992,854,500 Domestic Shares (being the Sale Shares), representing approximately 70.92% of the issued share capital or approximately 95.01% of all the issued Domestic Shares of Shandong Fengxiang as at the date of the joint announcement. Pursuant to Rule 26.1 of the Takeovers Code, subject to and upon Sale Shares Transfer, the Offeror will be required to make mandatory unconditional general offers in cash for all the issued Domestic Shares and H Shares not already owned or agreed to be acquired by the Offeror in accordance with the Takeovers Code.

As at the date of this joint announcement, Shandong Fengxiang has 1,400,000,000 Shares in issue (comprising (i) 355,000,000 H Shares and (ii) 1,045,000,000 Domestic Shares).

Shandong Fengxiang has no outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares or any other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) as at the date of this joint announcement.

Principal terms of the Offers

Subject to and upon Sale Shares Transfer, (i) the Offeror will make the Domestic Share Offer; and (ii) CMBI, on behalf of the Offeror, will make the H Share Offer in compliance with the Takeovers Code on the following basis:

For each H Share HK\$1.5132 in cash

For each Domestic Share RMB1.3822 in cash

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

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

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

The H Share Offer Price and comparison of value

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

- (i) a premium of approximately 14.64% over the closing price of HK\$1.32 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 18.22% over the average closing price of approximately HK\$1.28 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 32.74% over the average closing price of approximately HK\$1.14 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 56.00% over the average closing price of approximately HK\$0.97 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

- (v) a premium of approximately 59.28% over the average closing price of approximately HK\$0.95 per H Share as quoted on the Stock Exchange for the last 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 37.56% over the average closing price of approximately HK\$1.10 per H Share as quoted on the Stock Exchange for the last 120 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 27.16% over the average closing price of approximately HK\$1.19 per H Share as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a discount of approximately 41.58% to the unaudited consolidated net asset per Share value of Shandong Fengxiang of approximately RMB2.36 (equivalent to approximately HK\$2.59) per H Share as at 30 June 2022, based on a total of 1,400,000,000 Shares in issue as at 30 June 2022 and the date of this joint announcement and the unaudited consolidated net asset attributable to shareholders of Shandong Fengxiang of approximately RMB3,307.9 million as at 30 June 2022; and
- (ix) a discount of approximately 43.11% to the audited consolidated net asset per Share value of Shandong Fengxiang of approximately RMB2.43 (equivalent to approximately HK\$2.66) per H Share as at 31 December 2021, based on a total of 1,400,000,000 Shares in issue as at 31 December 2021 and the date of this joint announcement and the audited consolidated net asset attributable to shareholders of Shandong Fengxiang of approximately RMB3,399.6 million as at 31 December 2021.

Highest and lowest share prices of H Shares

The highest and lowest closing prices of the H Shares as quoted on the Stock Exchange during the six-month period immediately preceding the Last Trading Day and including the Last Trading Day were HK\$1.51 per Share (on 4 May 2022) and HK\$0.77 per Share (on 16 September 2022, 19 September 2022 and 20 September 2022), respectively.

Value of the Offers

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

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

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

Confirmation of financial resources

The aggregate of the cash amount payable as Acquisition Consideration for the Sale Shares pursuant to the Auction and the SPA is RMB1,372,279,100.

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

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

The total cash consideration payable for (i) the Sale Shares pursuant to the Auction and (ii) the Offers is approximately HK\$2,118,428,799. The Offeror intends to finance the cash consideration required for the Transactions with equity commitments from PAG Fund IV.

CMBI, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to (i) pay the Acquisition Consideration so as to complete the Acquisition; and (ii) satisfy the amount of funds required for the full acceptances of the Offers.

Interests and dealings in Shandong Fengxiang's securities

As at the date of this joint announcement, other than the Sale Shares to be acquired under the Acquisition through the Auction and pursuant to the SPA, the Offeror and parties acting in concert with it do not hold, control or have direction over any Shares, convertible securities, warrants or options and do not have, control or have direction over any other interests in the issued Shares or voting rights of Shandong Fengxiang.

Save for (i) the Acquisition through the Auction and pursuant to the SPA and (ii) the dealings in the Shares by CMBI group which are conducted on a non-discretionary basis for and on behalf of its clients, none of the Offeror and parties acting in concert with it has dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the period from 20 March 2022 (being six (6) months prior to the date of the first announcement of Shandong Fengxiang pursuant to Rule 3.7 of the Takeovers Code and the commencement of the offer period (as defined under the Takeovers Code)) to the date of this joint announcement.

CMBI is the financial adviser to the Offeror in connection with the Offers. Accordingly, CMBI and the relevant members of the CMBI group which hold Shares on their own account or discretionary managed basis are presumed to be acting in concert with the Offeror in relation to Shandong Fengxiang in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code.

Effect of accepting the Offers

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

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

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

Payment

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

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

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

Overseas shareholders

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

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

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

In the event that the receipt of the Composite Document by overseas Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror), and subject to the Executive's consent, the Composite Document will not be despatched to such overseas Shareholders. For that purpose, the Offeror may apply for a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Composite Document to such overseas shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Composite Document is made available to such Shareholders. If any such waiver is granted by the Executive, the Offeror reserves the right to make arrangements in respect of the Shareholders not resident in Hong Kong in relation to the terms of the Offers.

Hong Kong Stamp Duty

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

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

PRC Stamp Duty

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

Taxation advice

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

2020 Share Award Scheme and 2021 Share Award Scheme

Shandong Fengxiang has adopted the 2020 Share Award Scheme and 2021 Share Award Scheme to recognise the contributions by, and to incentivise, the personnel of Shandong Fengxiang and its subsidiaries.

As at the date of this joint announcement:

- (i) the 2020 SAS Trustee holds 495,000 H Shares (representing approximately 0.14% of all the issued H Shares and approximately 0.04% of all the issued Shares) for the purposes of satisfying the share awards under the 2020 Share Award Scheme; and
- (ii) the 2021 SAS Trustee holds 21,133,000 H Shares (representing approximately 5.95% of all the issued H Shares and approximately 1.51% of all the issued Shares) for the purposes of satisfying the share awards under the 2021 Share Award Scheme.

Shandong Fengxiang confirms that no further share awards will be made or granted under the 2020 Share Award Scheme and/or the 2021 Share Award Scheme and none of the 2020 SAS Trustee and 2021 SAS Trustee will acquire any further Shares from the date of this joint announcement up to and including the date of the closing of the Offers.

None of the 2020 SAS Trustee, the 2021 SAS Trustee or the grantees under the 2020 Share Award Scheme and/or the 2021 Share Award Scheme is regarded as acting in concert with the Offeror.

Pursuant to the rules of the 2020 Share Award Scheme and the 2021 Share Award Scheme, the 2020 SAS Trustee and the 2021 SAS Trustee shall not exercise the voting rights in the H Shares held by it in the General Meetings.

As at the date of this joint announcement, no decision or agreement has been made by or between the Offeror and/or the Company in respect of any actions to be taken in relation to the 2020 Share Award Scheme and/or the 2021 Share Award Scheme. Accordingly, subject to any further decision or agreement to be made by or between the Offeror and/or the Company and compliance with the rules of the 2020 Share Award Scheme or the 2021 Share Award Scheme, share awards which have been granted under the 2020 Share Award Scheme and the 2021 Share Award Scheme but remain unvested as at the date of this joint announcement are expected to continue to vest in accordance with their original vesting schedules as determined in accordance with the rules of such scheme. In the event that any decision or agreement is made in respect of any actions to be taken in relation to the 2020 Share Award Scheme and/or the 2021 Share Award Scheme, further announcement(s) will be made if and when appropriate in accordance with the Takeovers Code and/or the Listing Rules.

Other arrangements

The Offeror confirms that, as at the date of this joint announcement:

- (i) none of the Offeror and/or parties acting in concert with it owns or has control or direction over any voting rights of Shandong Fengxiang or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (ii) none of the Offeror and parties acting in concert with it has received any irrevocable commitment to accept or reject the Offers or on how to vote in respect of the Delisting Resolution;
- (iii) save for the Acquisition through the Auction and pursuant to the SPA, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;

- (iv) save for the Acquisition through the Auction and pursuant to the SPA, and the Acquisition Conditions/Transfer Procedures to be satisfied and completed, there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (v) apart from the Acquisition Consideration, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any parties acting in concert with it to the Controlling Shareholders or any party acting in concert with the Controlling Shareholders in connection with the sale and purchase of the Sale Shares;
- (vi) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any party acting in concert with it on the one hand, and any Shareholder on the other;
- (vii) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any party acting in concert with it on the one hand, and the Controlling Shareholders and any party acting in concert with it on the other; and
- (viii) none of the Offeror and/or parties acting in concert with it has entered into any arrangement or contract in relation to any outstanding derivative in respect of securities in Shandong Fengxiang nor has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Shandong Fengxiang.

Shandong Fengxiang confirms that, as at the date of this joint announcement, there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between Shandong Fengxiang, its subsidiaries or associated companies on the one hand, and any Shareholder on the other.

The Offers may or may not be made as they are subject to the Sale Shares Transfer having occurred which in turn is subject to the satisfaction and completion of certain Acquisition Conditions/Transfer Procedures as described in the paragraph headed “Acquisition Conditions/Transfer Procedures” in the section headed “Acquisition of approximately 70.92% shareholding in Shandong Fengxiang by the Offeror by way of Auction and pursuant to the SPA” in this joint announcement. The Shareholders and potential investors are advised to exercise extreme caution when dealing in securities of Shandong Fengxiang, and if they are in any doubt about their position, they should consult their professional advisers.

C. SHAREHOLDING STRUCTURE OF SHANDONG FENGXIANG

Set out below is the shareholding structure of Shandong Fengxiang in terms of voting rights attached to the issued Shares, as at the date of this joint announcement and immediately after Sale Shares Transfer (assuming there will be no other changes to the shareholding structure of Shandong Fengxiang from the date of this joint announcement to the Sale Shares Transfer Date):

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

Note:

- (1) Fengxiang Group and Fengxiang Investment are wholly owned by GMK Holdings, while GMK Holdings is owned as to 51% by Mr. Liu Xuejing, 9% by Ms. Zhang Xiuying (Mr. Liu Xuejing's spouse), 20% by Mr. Liu Zhiguang (Mr. Liu Xuejing's son) and 20% by Mr. Liu Zhiming (Mr. Liu Xuejing's son) respectively. By virtue of the SFO, Mr. Liu Zhiguang and Mr. Liu Xuejing (each a Director as at the date of this joint announcement) are deemed to be interested in the Shares directly or indirectly held by GMK Holdings.
- (2) A Director as at the date of this joint announcement.

- (3) As at the date of this joint announcement, such holders include six Domestic Shareholders who are senior management members of GMK Holdings and their relatives.
- (4) For further details, please refer to the section headed “2020 Share Award Scheme and 2021 Share Award Scheme” in this joint announcement. Among such H Shares held by the 2020 SAS Trustee and 2021 SAS Trustee for the purposes of the 2020 Share Award Scheme and 2021 Share Award Scheme respectively, as at the date of this joint announcement, Mr. Xiao Dongsheng, Ms. Zhou Jinying and Mr. Shi Lei (each a Director as at the date of this joint announcement) have been granted 2,976,000, 2,465,000 and 506,000 awarded shares respectively (representing approximately 0.21%, 0.18% and 0.04% of all the issued Shares), all of which have not yet been vested.

D. OFFEROR’S INTENTION ON SHANDONG FENGXIANG AND PROPOSALS REGARDING THE LISTING STATUS OF SHANDONG FENGXIANG

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

PROPOSED CHANGE TO THE BOARD COMPOSITION OF SHANDONG FENGXIANG

The Offeror intends to nominate new Director(s) after the date of this joint announcement. As at the date of this joint announcement, the Offeror has not reached any final decision as to who will be nominated as new Director(s). Any changes to the members of the Board will be made in compliance with the Takeovers Codes and the Listing Rules and further announcement(s) will be made as and when appropriate.

DELISTING RESOLUTION

The Offeror proposes to delist Shandong Fengxiang from the Stock Exchange and accordingly Shandong Fengxiang has agreed to convene the Shareholders Meetings for the purpose of Independent Shareholders to consider and vote on the Delisting Resolution (among other business). If the Delisting Resolution is approved, it will not become effective until the end of the offer period in respect of the Offers. A circular (which will be combined with the Composite Document) will be sent to the Shareholders after the Sale Shares Transfer Date setting out the delisting proposal and containing the notice of meeting in relation to the Delisting Resolution.

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

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

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

SHAREHOLDERS MEETINGS TO BE CONVENED

The Shareholders Meetings shall be convened for Independent Shareholders to consider and vote on the Delisting Resolution.

The Delisting Resolution will be subject to:

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

- (b) the passing by the Independent Shareholders at the General Meeting to be convened for the purpose of delisting, provided that:
 - (i) such approval is given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy; and
 - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the Shares held by the Independent Shareholders; and
- (c) the Offeror having received valid acceptances amounting to 90% of the H Shares held by Independent H Shareholders required under Note (iii) to Rule 2.2 of the Takeovers Code given Shandong Fengxiang is established in the PRC where it does not afford compulsory acquisition rights to the Offeror as offeror.

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

In the event that the Delisting Resolution is not approved, or, if approved, the Delisting Acceptance Condition is not satisfied and the public float of Shandong Fengxiang falls below 25% following the close of the Offers, the Offeror and Shandong Fengxiang will undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the H Shares following the close of the Offers.

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

REASONS FOR AND BENEFITS OF THE OFFERS

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

The Offeror considers that the Offers will provide an opportunity to Shareholders to realise their investment in Shandong Fengxiang at an attractive premium over the prevailing price of the Shares. The offer price of HK\$1.5132 per H Share/RMB1.3822 per Domestic Share represents a premium of approximately 36.32% to the average closing price of HK\$1.11 per H Share as quoted on the Stock Exchange for the six-month period up to and including the Last Trading Day or a premium of approximately 14.64% to the closing price of HK\$1.32 per H Share as quoted on the Stock Exchange on the Last Trading Day. The Offers are also a unique opportunity for Shareholders to monetise their holdings in a low liquidity stock with average daily trading volume of approximately 400,357 H shares per day, or 0.11% of the issued H shares per day, for the six-month period up to and including the Last Trading Day. The low trading liquidity of the H Shares makes it difficult for H Shareholders to sell their shareholdings in large volume on the secondary market. The H Share Offer will provide an opportunity for Shareholders to realise their investment in the Company without suffering any illiquidity discount. The delisting of H Shares of Shandong Fengxiang from the Stock Exchange, if completed, will provide Shandong Fengxiang with flexibility to pursue certain strategic alternatives that it may not be practicable to pursue as a public company. The Offeror believes that the terms of the Offers represent attractive value, with high certainty and speed, to the Shareholders.

E. GENERAL

INFORMATION ON THE OFFEROR

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

The general partner of the Offeror is Falcon Holding GP Limited, being a company directly 100% owned by PAG Capital Limited. As at the date of this joint announcement, the sole limited partner of the Offeror is PAG Fund IV. The general partner of PAG Fund IV is PAG Asia Capital GP IV Limited, being a company directly 100% owned by PAG Capital Limited. PAG Capital Limited is controlled by Pacific Alliance Group Limited, which is in turn wholly-owned by PAG.

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

INFORMATION ON SHANDONG FENGXIANG

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

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

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

Based on the audited consolidated financial information of Shandong Fengxiang as at 31 December 2021, the consolidated total assets and consolidated net assets attributable to shareholders of Shandong Fengxiang were approximately RMB6,931.1 million and RMB 3,399.6 million respectively.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, Shandong Fengxiang has established the Independent Board Committee comprising the independent non-executive Directors who have no direct or indirect interest in the Offers, namely Mr. Guo Tianyong, Ms. Zhao Yinglin and Mr. Chung Wai Man as independent non-executive Directors, to advise the Independent Shareholders as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers and how to vote in respect of the Delisting Resolution.

As (a) Mr. Liu Xuejing, a non-executive Director, was a shareholder of GMK Holdings and (b) Mr. Zhang Chuanli, a non-executive Director, was a director of GMK Holdings, each of Mr. Liu Xuejing and Mr. Zhang Chuanli is therefore not considered as independent for the purpose of giving advice or recommendations to the Independent Shareholders.

An independent financial adviser will be appointed by Shandong Fengxiang (with the approval of the Independent Board Committee) to advise the Independent Board Committee in respect of the Offers and the Delisting Resolution and, in particular, as to whether the terms of the Offers are fair and reasonable and as to

the acceptance of the Offers and how to vote in respect of the Delisting Resolution. A further announcement will be made by Shandong Fengxiang as soon as possible after the appointment of the independent financial adviser.

DESPATCH OF THE COMPOSITE DOCUMENT

If the Offers are made, it is the intention of the Offeror and Shandong Fengxiang that the Composite Document comprising the offer document from the Offeror and the response document from the Board be jointly despatched by the Offeror and Shandong Fengxiang to the Shareholders in accordance with the requirements of the Takeovers Code. The Composite Document will contain, among other things, (i) details of the Offers (including the expected timetable and terms of the Offers) and the Delisting Resolution; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offers and the Delisting Resolution; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in relation to the Offers and the Delisting Resolution; (iv) the Forms of Acceptance; and (v) the proxy forms.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be despatched within 21 days of the date of this joint announcement. However, as the making of the Offers is subject to the Sale Shares Transfer having occurred, which in turn is subject to satisfaction and completion of the Acquisition Conditions/Transfer Procedures which are not expected to be satisfied within 21 days of the date of this joint announcement, the Offeror will make an application to the Executive under Rule 8.2 of the Takeovers Code for the Executive's consent to extend the deadline for despatch of the Composite document to within 7 days after Sale Shares Transfer. Further announcement(s) will be made by the Offeror and Shandong Fengxiang on the timing of despatch of the Composite Document.

DEALING DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of relevant securities) of any of Shandong Fengxiang and the Offeror are hereby reminded to disclose their dealings in the securities of Shandong Fengxiang pursuant to the Takeovers Code. In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the

offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

The making of the Offers is subject to Sale Shares Transfer having occurred which in turn is subject to the satisfaction and completion of certain Acquisition Conditions/Transfer Procedures as described in the paragraph headed “Acquisition Conditions/Transfer Procedures” in the section headed “Acquisition of approximately 70.92% shareholding in Shandong Fengxiang by the Offeror by way of Auction and pursuant to the SPA” in this joint announcement. The Offers therefore may or may not be made. The Shareholders and potential investors are advised to exercise extreme caution when dealing in the securities of Shandong Fengxiang, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders are encouraged to read the Composite Document carefully, including the advice of the independent financial adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offers, before deciding whether or not to accept the Offers or how to vote in respect of the Delisting Resolution.

RESUMPTION OF TRADING IN H SHARES

At the request of Shandong Fengxiang, trading in H Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 17 October 2022 pending the release of this joint announcement. Application has been made by Shandong Fengxiang to the Stock Exchange for resumption of trading in H Shares with effect from 9:00 a.m. on 31 October 2022.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2020 SAS Trustee”	Bank of Communications Trustee Limited, the trustee of the 2020 Share Award Scheme for the time being
“2021 SAS Trustee”	Futu Trustee Limited, the trustee of the 2021 Share Award Scheme for the time being
“2020 Share Award Scheme”	the share award scheme of Shandong Fengxiang adopted on 4 June 2020 and effective on the listing date of Shandong Fengxiang
“2021 Share Award Scheme”	the share award scheme of Shandong Fengxiang adopted on 10 December 2021
“Accounting Standards for Business Enterprises of the PRC”	Accounting Standard for Business Enterprises — Basic Standard issued by the Ministry of Finance of the PRC and respective specific accounting standards, application guidelines for accounting standards for business enterprises, interpretation for accounting standards for business enterprises, and other relevant regulations
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Acquisition”	the acquisition of the Sale Shares by the Offeror by way of the Auction and pursuant to the SPA
“Acquisition Conditions/ Transfer Procedures”	the conditions precedent and completion procedures to be satisfied or completed as detailed in the paragraph headed “Acquisition Conditions/Transfer Procedures” in the section headed “Acquisition of approximately 70.92% shareholding in Shandong Fengxiang by the Offeror by way of Auction and pursuant to the SPA” above
“Acquisition Consideration”	the consideration for the Sale Shares pursuant to the Auction and the SPA, being RMB1,372,279,100

“Administrator”	the administrator of the Judicial Restructuring of Xiangguang Copper and 18 other related companies (including the Controlling Shareholders), being Junhe LLP (北京市君合律師事務所), as appointed by the People’s Court of Yanggu County, Shandong Province in the PRC
“Applicable RMB:HKD Exchange Rate”	the exchange rate of HK\$1.00 to RMB0.91343 (i.e. the median exchange rate on 28 October 2022, being the date of this joint announcement, as announced by the People’s Bank of China)
“Asset Realisation Account”	the domestic asset realisation account (境內資產變現賬戶) to be opened with a domestic PRC commercial bank in the name of each of the Controlling Shareholders to receive the Acquisition Consideration from the Escrow Bank, as set out in the paragraph headed “Post-Transfer Settlement” in the section headed “Acquisition of approximately 70.92% shareholding in Shandong Fengxiang by the Offeror by way of Auction and pursuant to the SPA” above
“associated companies”	has the meaning ascribed thereto in the Takeovers Code
“Auction”	the auction of the Sale Shares through the Auction Platform
“Auction Platform”	the network platform of Alibaba Judicial Auction (https://sf.taobao.com/)
“Bidding Confirmation Date”	the date on which the Bidding Confirmation (《競價結果確認書》) was issued to the Offeror, being 16 October 2022
“Board”	the board of Directors
“CMBI”	CMB International Capital Limited, the financial adviser to the Offeror in respect of the Transactions. CMBI is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

“Composite Document”	the proposed composite offer and response document to be jointly issued by the Offeror and Shandong Fengxiang to the Shareholders in relation to the Offers in accordance with the Takeovers Code containing, among other things, (i) details of the Offers (including the expected timetable and terms of the Offers) and the Delisting Resolution; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offers and the Delisting Resolution; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in relation to the Offers and the Delisting Resolution; (iv) the Forms of Acceptance; and (v) the proxy forms
“Controlling Shareholders”	GMK Holdings, Fengxiang Investment and Fengxiang Group
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited and its competent subsidiary, branch or agent
“Delisting Acceptance Condition”	the receipt of valid acceptances of 90% of the H Shares held by Independent H Shareholders
“Delisting Resolution”	the resolution to be considered, and if thought fit, for approving the delisting of H Shares of Shandong Fengxiang from the Stock Exchange, subject to the offer period ending in respect of the Offers
“Director(s)”	director(s) of Shandong Fengxiang
“Domestic Share(s)”	the issued ordinary share(s) in the share capital of Shandong Fengxiang, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC nationals and/or PRC-incorporated entities
“Domestic Share Offer”	The offer to be made by the Offeror in accordance with the Takeovers Code for the Domestic Shares (other than those already owned or agreed to be acquired by the Offeror)

“Domestic Share Offer Price”	RMB1.3822 per Domestic Share in respect of the Domestic Share Offer
“Domestic Shareholder(s)”	holder(s) of the Domestic Shares from time to time
“Encumbrances”	(i) any valid mortgage, pledge, charge, lien, rights of preemption, guarantee, trust arrangements or any other similar restriction on rights securing, or conferring any priority of payment in respect of, any obligation of any person, (ii) any valid lease, sub-lease, occupancy agreement or covenant granting a right of use or occupancy to any person, (iii) any valid proxy, power of attorney, voting trust agreement, beneficial interest, option, right of first offer or refusal or other transfer restriction in favour of any person and (iv) any adverse, legal and valid claim as to title, possession or use
“Escrow Account”	an escrow bank account in the name of Offeror to be opened with the Escrow Bank
“Escrow Bank”	a qualified commercial bank situated outside of the PRC as mutually agreed by the Offeror and the Administrator
“Escrow Agreement”	an escrow agreement to be entered into by the Offeror, the Escrow Bank and the Administrator or the designated representative of the Administrator which governs the terms and conditions of the Escrow Account
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“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 Shandong Fengxiang as at the date of this joint announcement

“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 Shandong Fengxiang as at the date of this joint announcement
“Form(s) of Acceptance”	the form(s) of acceptance and transfer of the Offer Shares in respect of the Offers
“General Meeting”	the general meeting of Shandong Fengxiang to be convened for the Independent Shareholders to consider, and if thought fit, approve the Delisting Resolution and any other business to be considered at the general meeting
“GMK Holdings”	GMK Holdings Group Co., Ltd. (新鳳祥控股集團有限公司), a company established in the PRC with limited liability on 29 October 2009, which is owned as to 51% by Mr. Liu Xuejing, 9% by Ms. Zhang Xiuying, 20% by Mr. Liu Zhiguang and 20% by Mr Liu Zhiming respectively and a controlling shareholder of Shandong Fengxiang as at the date of this joint announcement
“H Share(s)”	the issued overseas listed foreign Share(s) in the share capital of Shandong Fengxiang, with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD and listed on the Main Board of the Stock Exchange
“H Share Class Meeting”	the H shareholders class meeting of Shandong Fengxiang to be convened for the Independent H Shareholders to consider, and if thought fit, approve the Delisting Resolution
“H Share Offer”	the unconditional mandatory cash offer to be made by CMBI, for and on behalf of the Offeror, for all the H Shares (other than those already owned or agreed to be acquired by the Offeror) in accordance with the Takeovers Code
“H Share Offer Price”	HK\$1.5132 per H Share in respect of the H Share Offer

“H Shareholder(s)”	holder(s) of H Shares from time to time
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board established pursuant to the Takeovers Code comprising those Directors as identified in the section headed “Independent Board Committee and Independent Financial Adviser” and formed for the purpose of advising the Independent Shareholders in respect of the Offers and the Delisting Resolutions
“Independent H Shareholder(s)”	the H Shareholders other than the Offeror and parties acting in concert with it
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it
“Judicial Restructuring”	the application for judicial restructuring filed against Xiangguang Copper with the Liaocheng Intermediate People’s Court, Shandong Province in the PRC by a creditor on 5 May 2022
“Last Trading Day”	14 October 2022, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer Price”	the H Shares Offer Price and the Domestic Shares Offer Price
“Offer Share(s)”	all Shares that are not owned or agreed to be acquired by the Offeror and “Offer Share” means any of them

“Offeror”	Falcon Holding LP, a limited partnership formed in Cayman Islands and having its registered office at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, KY1-1106, Cayman Islands, the details of which are set out in the paragraph headed "E. GENERAL — Information on the Offeror" in this joint announcement
“Offers”	The H Share Offer and Domestic Share Offer
“PAG”	PAG, formerly known as PAG Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 28 June 2010
“PAG Fund IV”	PAG Asia IV LP, a limited partnership formed in the Cayman Islands and having its registered office at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, KY1-1106, Cayman Islands, being the sole limited partner of the Offeror as at the date of this joint announcement
“Post-Transfer Settlement”	the post-transfer settlement under the SPA which shall take place after the Sale Shares Transfer and within five (5) business days after the opening of the Asset Realisation Accounts (or such other date as agreed between the Offeror and the Administrator), as described in the paragraph headed “Post-Transfer Settlement” in the section headed “Acquisition of approximately 70.92% shareholding in Shandong Fengxiang by the Offeror by way of Auction and pursuant to the SPA” above
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	992,854,500 Domestic Shares in Shandong Fengxiang, representing approximately 70.92% of the total share capital of Shandong Fengxiang as at the date of this joint announcement, being the equity interests in Shandong Fengxiang held by the Controlling Shareholders
“Sale Shares Transfer”	the registration of the Offeror as the holder of the Sale Shares as described in the paragraph headed “Sale Shares Transfer” in the section headed “Acquisition of approximately 70.92% shareholding in Shandong Fengxiang by the Offeror by way of Auction and pursuant to the SPA” in this joint announcement
“Sale Shares Transfer Date”	the date on which the Securities Transfer Registration Confirmation issued by the CSDC in respect of the Sale Shares Transfer is obtained
“SAMR”	The State Administration for Market Regulations of the PRC
“Security Deposit”	the security deposit of RMB100,000,000 which has been paid by an onshore related party of the Offeror (as the Offeror’s agent) on 10 October 2022 according to the requirement of the Administrator
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Fengxiang”	Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司) (stock code: 9977), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders Meetings”	the General Meeting and the H Share Class Meeting

“SPA”	the share purchase agreement entered into between the Offeror, the Administrator and the Controlling Shareholders, pursuant to which the Offeror has conditionally agreed to acquire, and the Administrator and the Controlling Shareholders (being entities under the scope of the Judicial Restructuring and under the control of the Administrator) have conditionally agreed to sell, the Sale Shares, pursuant to the Auction and the terms and conditions of the SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong
“Transactions”	the Acquisition and the Offers
“Xiangguang Copper”	Yanggu Xiangguang Copper Co., Ltd. (陽穀祥光銅業有限公司), a subsidiary of GMK Holdings
“United States” or “U.S.”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent.

By order of the board of directors of
Falcon Holding GP Limited
acting in its capacity as general partner
for and on behalf of
Falcon Holding LP

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

Shandong, the PRC, 28 October 2022

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement to the extent that it relates to Shandong Fengxiang and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by the Directors in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the general partner of the Offeror is Falcon Holding GP Limited. As at the date of this joint announcement, the director of Falcon Holding GP Limited is PAGAC4 Secretaries Limited and the directors of PAGAC4 Secretaries Limited are David Jaemin Kim, Sujey Subramanian and Koichi Ito.

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

The directors of PAGAC4 Secretaries Limited and PAG Asia Capital GP IV Limited jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than information relating to Shandong Fengxiang) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

In the case of inconsistency, the English text of this joint announcement shall prevail over the Chinese text.

For the purpose of this joint announcement, amounts denominated in RMB have been translated into HK\$ based on the Applicable RMB:HK\$ Exchange Rate. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

** For identification purpose only*