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凤祥食品

**SHANDONG FENGXIANG CO., LTD.**

山東鳳祥股份有限公司

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

**(Stock Code: 9977)**

**CONNECTED TRANSACTION  
ACQUISITION OF SEWAGE WATER TREATMENT ASSETS**

**THE ACQUISITION**

On 28 May 2021, Fengxiang Industrial (as the purchaser) and Xiangguang Copper (as the vendor) entered into the Asset Transfer Agreement, pursuant to which Fengxiang Industrial agreed to acquire the Target Assets from Xiangguang Copper. The consideration for the Acquisition is RMB23,125,900 (equivalent to approximately HK\$27,288,600).

As at the date of this announcement, Xiangguang Copper is held indirectly as to 84.43% by GMK Holdings, the controlling shareholder of the Company, directly and indirectly held 70.92% interest in the Company's total issued share capital (i.e. 992,854,500 domestic shares of the Company). GMK Holdings was held as to 51%, 9%, 20% and 20% by Mr. Liu Xuejing (non-executive Director), Ms. Zhang Xiuying (spouse of Mr. Liu Xuejing), Mr. Liu Zhiguang (executive Director) and Mr. Liu Zhiming (son of Mr. Liu Xuejing and brother of Mr. Liu Zhiguang), respectively. Accordingly, Xiangguang Copper is an associate of GMK Holdings and a connected person of the Company and as a result, the transactions contemplated under the Asset Transfer Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

## **IMPLICATIONS UNDER THE LISTING RULES**

As two of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Asset Transfer Agreement exceed 0.1% but all are less than 5%, the Acquisition to be contemplated thereunder is subject to reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

The Directors (including independent non-executive Directors), having made all reasonable and due enquiries, are of the view that the terms of the Asset Transfer Agreement are fair and reasonable and on normal commercial terms, and the transaction contemplated thereunder is conducted in the ordinary and usual course of business of the Company and is in the interests of the Company and its shareholders as a whole.

### **1. BACKGROUND**

On 28 May 2021, Fengxiang Industrial (as the purchaser) and Xiangguang Copper (as the vendor) entered into the Asset Transfer Agreement, pursuant to which the Company agreed to acquire the Target Assets from Xiangguang Copper. The consideration for the Acquisition is RMB23,125,900 (equivalent to approximately HK\$27,288,600).

### **2. ASSET TRANSFER AGREEMENT**

The following is a brief summary of some of the principal terms of the Asset Transfer Agreement:

**Date** : 28 May 2021

**Parties** : Fengxiang Industrial (as the purchaser); and  
Xiangguang Copper (as the vendor)

## **Target Assets to be acquired**

The Target Assets comprise machineries and equipment which are associated with and currently used by Yanggu Sewage Water Treatment Plant located in West Xingsheng Road, Liumiao Village, Anle Town, Yanggu County, Liaocheng City, Shandong Province, the PRC, including water supply upgrading pumping stations, sludge dewatering rooms, deodorisation facilities.

The Target Assets were developed by Xiangguang Copper, and are currently leased to, managed and operated by Yanggu Sewage Water Treatment Plant. The annual rental income attributable to the Target Assets is approximately RMB2,400,000 (equivalent to approximately HK\$2,832,000). Further information on the Target Assets is set out in the paragraph headed “Reasons and Benefits for the Acquisition” below.

## **Consideration for the Acquisition**

The consideration for the Acquisition is RMB23,125,900 (equivalent to approximately HK\$27,288,600) and will be settled by the Company out of its internal resources in the following manner:

- (a) the first instalment of RMB13,875,540 (equivalent to approximately HK\$16,373,100), being 60% of the total consideration of the Acquisition, shall be paid by cash within 10 working days upon signing of the Asset Transfer Agreement;
- (b) the remainder of RMB9,250,360 (equivalent to approximately HK\$10,915,400), being 40% of the total consideration of the Acquisition, shall be paid by cash within 10 working days upon the Completion.

The present value of the consideration for the Acquisition of RMB23,125,900 is based on the book value of the Target Assets as at the Valuation Date (i.e. 23 March 2021 of RMB23,125,901.4 by round down to the nearest hundred). The present value of the consideration for the Acquisition represents a discount of approximately 5.05% over the appraised value of the Target Assets as at the Valuation Date of RMB24,356,791.77 valued by an independent valuer engaged by the Company.

## **Basis of determination of the consideration for the Acquisition**

The consideration for the Acquisition was determined after arm's length negotiations between Fengxiang Industrial and Xiangguang Copper after taking into account of (i) the terms of the service agreement between the parties; (ii) the book value of the Target Assets as at the Valuation Date; and (iii) the appraised value of the Target Assets of approximately RMB24,356,791.77 (equivalent to approximately HK\$28,741,014.29) as stated in the valuation report issued by the independent valuer, on the Valuation Date.

The Directors (including the independent non-executive directors) are of the view that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and the shareholders as a whole.

## **Completion**

Completion shall take place within 10 calendar days after transfer of the Target Assets is completed on the day on which payment of the total consideration has been fully settled by the Company. The Target Assets shall be beneficially owned by the Company upon Completion.

## **3. REASONS AND BENEFITS FOR THE ACQUISITION**

The Company and its subsidiaries are principally engaged in breeding, slaughtering and processing, sale of poultry, and production and sale of animal feeds and organic fertilisers. The Group has been engaging Yanggu Sewage Water Treatment Plant to provide wastewater treatment since 2012. Given the operation of the Group's business chain, the sewage water treatment allows the Group to cause the lowest possible impact on the environment by converting the sewage water to biological sludge and purified water and already comes into play in the poultry processing plant where water used for transport, cleaning and other various stages of processing, is collected and drained to the water treatment facilities. With a view of the Group's expansion of its business, the Acquisition could serve the need of the Group on handling the sewage water from its production and smoothen the treatment of sewage of the Group since Yanggu Sewage Water Treatment Plant exclusively serves the Group's sewage water treatment upon the Acquisition. After completion of the Acquisition, the Target Assets will continue to be managed and operated by Yanggu Sewage Water Treatment Plant to provide wastewater treatment service to the Group. After considering the above factors, the Directors consider that the Acquisition and the terms of the Asset Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. Further, the Acquisition will not adversely affect the normal operation of the Company.

#### **4. IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Xiangguang Copper is held as to 84.43% by GMK Holdings, the controlling shareholder of the Company, directly and indirectly held 70.92% interest in the Company's total issued share capital (i.e. 992,854,500 domestic shares of the Company). GMK Holdings was held as to 51%, 9%, 20% and 20% by Mr. Liu Xuejing (non-executive Director), Ms. Zhang Xiuying (spouse of Mr. Liu Xuejing), Mr. Liu Zhiguang (executive Director) and Mr. Liu Zhiming (son of Mr. Liu Xuejing and brother of Mr. Liu Zhiguang), respectively. Accordingly, Xiangguang Copper is an associate of GMK Holdings and a connected person of the Company and as a result, the transactions contemplated under the Asset Transfer Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As two of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Asset Transfer Agreement exceed 0.1% but all are less than 5%, the Acquisition to be contemplated thereunder is subject to reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

#### **5. INFORMATION OF THE COMPANY, FENGXIANG INDUSTRIAL AND XIANGGUANG COPPER**

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

Fengxiang Industrial is a limited company established in the PRC and a wholly-owned subsidiary of the Company, and primarily engages in the processing and sale of poultry products.

Xiangguang Copper is a limited company established in the PRC and a non-wholly owned subsidiary of GMK Holdings, and primarily engages in the smelting, refining of copper, acid production and recycling of noble metals business.

## 6. CONFIRMATION FROM DIRECTORS

The Directors (including independent non-executive Directors), having made all reasonable and due enquiries, are of the view that the terms of the Asset Transfer Agreement are fair and reasonable and on normal commercial terms, and the Acquisition contemplated thereunder is conducted in the ordinary and usual course of business of the Company and is in the interests of the Company and its shareholders as a whole.

## 7. DEFINITIONS

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

“Acquisition”	the acquisition of the Target Assets by the Company
“Asset Transfer Agreement”	the asset transfer agreement entered into between Fengxiang Industrial (as the purchaser) and Xiangguang Copper (as the vendor) on 28 May 2021 in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司), a joint stock company established in the PRC with limited liability on 17 December 2010, whose H shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Fengxiang Industrial”	Shandong Fengxiang Industrial Co., Ltd. (山東鳳祥實業有限公司) also known as Shandong Fambros Industrial Co., Ltd., a company established in the PRC with limited liability on 20 December 2011 and a wholly-owned subsidiary of the Company

“GMK Holdings”	GMK Holdings Group Co., Ltd. (新鳳祥控股集團有限責任公司), a company established in the PRC with limited liability on 29 October 2009, which is owned as to 51%, 9%, 20% and 20% by Mr. Liu Xuejing, Ms. Zhang Xiuying, Mr. Liu Zhiguang and Mr. Liu Zhiming, respectively, and a controlling shareholder of the Company, directly and indirectly held 70.92% interest in the Company’s total issued share capital
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	machineries and equipment which are associated with and currently used by Yanggu Sewage Water Treatment Plant, including water supply upgrading pumping stations, sludge dewatering rooms, deodorisation facilities
“Valuation Date”	23 March 2021
“Xiangguang Copper”	Yanggu Xiangguang Copper Co., Ltd. (陽穀祥光銅業有限公司), a company established in the PRC with limited liability on 6 January 2005, in which GMK Holdings ultimately holds 84.43%, and is therefore an associate of GMK Holdings and a connected person of the Company



“Yanggu Sewage Water Treatment Plant”	Yanggu Sewage Water Treatment Plant (陽穀縣第二污水處理廠), under Yanggu State-owned Asset Management Office (陽穀縣國有資產管理辦公室) and located in West Xingsheng Road, Liumiao Village, Anle Town, Yanggu County, Liaocheng City, Shandong Province, PRC
“%”	per cent

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of HK\$1.18 per RMB1.00. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

Shandong, the PRC  
28 May 2021

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