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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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTION  
LOAN FRAMEWORK AGREEMENT**

**NEW LOAN FRAMEWORK AGREEMENT**

Pursuant to the Loan Framework Agreement, Falcon will provide a revolving loan facility to the Group for a term of one year commencing from 28 January 2023 and ending on 27 January 2024. As the Loan Framework Agreement and its annual caps will expire on 27 January 2024 and after considering the future needs of the Group, the Company and Falcon entered into the New Loan Framework Agreement to better regulate the provision of loan services.

**IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Falcon is the controlling shareholder of the Company directly holding over 70% interest in the Company's total issued share capital. Accordingly, Falcon is a connected person of the Company and as a result, the transactions contemplated under the New Loan Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than profits ratio) (as defined under Rule 14.07 of the Listing Rules) in respect of the maximum daily balance of the loans (including interests accrued) to be provided under the New Loan Framework Agreement are more than 0.1% but less than 5%, the transactions to be contemplated thereunder are subject to reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 1. BACKGROUND

Reference is made to the announcement of the Company dated 29 January 2023 in relation to the Loan Framework Agreement. Pursuant to the Loan Framework Agreement, Falcon will provide a revolving loan facility to the Group for a term of one year commencing from 28 January 2023 and ending on 27 January 2024. As the Loan Framework Agreement and its annual caps will expire on 27 January 2024 and after considering the future needs of the Group within the PRC, the Company and Falcon entered into the New Loan Framework Agreement to better regulate the provision of loan services.

## 2. NEW LOAN FRAMEWORK AGREEMENT

The summary of the principal terms of the New Loan Framework Agreement is set forth below:

Date: 26 January 2024

Parties: (i) the Company; and  
(ii) Falcon.

Term: From 28 January 2024 to 27 January 2025 (both dates inclusive)

Description of the transaction: Falcon shall provide a revolving loan facility to members of the Group under the New Loan Framework Agreement for a term of one year. The New Loan Framework Agreement shall be non-exclusive, and the Group is at liberty to obtain loans from other third parties.

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

The term of each Loan Agreement shall not exceed the term of the New Loan Framework Agreement.

Subject to the terms and conditions of the Loan Agreements, security over the Group's assets may be required for the loan provided.

Pricing policy: The interest rates payable by the Company to Falcon in respect of each loan provided under the New Loan Framework Agreement shall be the annual rate of the aggregate of the following applicable rate: (i) forward-looking term SOFR administered and published by CME Benchmark Administration Limited (芝商所基準管理有限公司) (or any other person which takes over the administration of that rate), the term of which corresponds to the interest period; and (ii) a margin, which must not be a negative number and shall be equivalent to or not more than the rate at which the Group is able to borrow with the same amount in USD and conditions for a relevant loan and period from a bank or a financial institution on normal commercial terms.

The time and manner of payment of interest rate shall be determined by Falcon and the Group after arm's length negotiation.

### 3. HISTORICAL FIGURES

The following table sets out the historical figures for the transactions contemplated under the Loan Framework Agreement:

**For the year ended  
31 December 2023**  
*(USD'000)*

|  |        |
|--|--------|
| Maximum daily balances of loan extended to the Group (including interests accrued) | 13,279 |
|--|--------|

#### 4. PROPOSED ANNUAL CAPS

The following table sets out the proposed annual caps for the transactions contemplated under the New Loan Framework Agreement:

|  | <b>For the year<br/>ending<br/>31 December<br/>2024<br/>(USD'000)</b> | <b>For the year<br/>ending<br/>31 December<br/>2025<br/>(USD'000)</b> |
|--|---|---|
| Maximum daily balances of loan extended to the Group (including interests accrued) | 13,591  | 15,000 <sup>(Note)</sup>  |

*Note: The annual cap for the year ending 31 December 2025 is set up to 27 January 2025, being the end date of the term of the New Loan Framework Agreement.*

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

- the future financing plans of the Group, including expected continued cash management needs due to the expansion of production capacity as stated in “Reasons and Benefits for the Transactions” below; and
- the balances of loan amounts extended to the Group by independent third parties of approximately RMB1.6 billion, RMB2.5 billion, RMB1.6 billion and RMB1.1 billion as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, respectively.

#### 5. REASONS AND BENEFITS FOR THE TRANSACTIONS

The loan proceeds from the New Loan Framework Agreement can support the continual production capacity expansion and strengthen general working capital of the Group. The Company believes that it is important for the Group to have more readily available funding for capturing suitable business opportunities and pace of expansion plan.

The New Loan Framework Agreement is non-exclusive and does not limit the Group’s choice in engaging any banks or financial institutions to satisfy its need for financial services. Falcon is able to instantly make available the loan facility which allows the Group to draw down for its immediate funding needs. The entering into the New Loan Framework Agreement will simply avail the Group to obtain funding at the rates and terms which are no less favourable than those offered by any independent third party for comparable loans without going through complex loan approval processes. Such arrangement also signifies strong

support from Falcon to the Group and its confidence in the prospects and development of the Group. Therefore, it is expected that the transactions contemplated under the New Loan Framework Agreement would be cost efficient, expedient and beneficial for the Group.

The Directors (including all independent non-executive Directors) are of the view that the New Loan Framework Agreement would provide the flexibility for the Company to obtain finance at reasonable costs during the availability period as and when the circumstances so require.

## **6. BOARD CONFIRMATION**

The New Loan Framework Agreement and transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the terms of the New Loan Framework Agreement were negotiated on an arm's length basis between the parties. Based on the reasons and benefits above, the Directors (including all independent non-executive Directors) consider that the terms of the New Loan Framework Agreement and its annual caps are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Given that Mr. Qiu Zhongwei, Mr. Lu Wei, Mr. Zhu Lingjie and Ms. Zhou Ruijia (each a non-executive Director) also serve positions in certain entities controlled by PAG, the associate of Falcon, they have voluntarily abstained from voting on the relevant Board resolutions approving the New Loan Framework Agreement for good corporate governance. 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 New Loan Framework Agreement.

## **7. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Falcon is the controlling shareholder of the Company directly holding over 70% interest in the Company's total issued share capital. Accordingly, Falcon is a connected person of the Company and as a result, the transactions contemplated under the New Loan Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than profits ratio) (as defined under Rule 14.07 of the Listing Rules) in respect of the maximum daily balance of the loans (including interests accrued) to be provided under the New Loan Framework Agreement are more than 0.1% but less than 5%, the transactions to be

contemplated thereunder are subject to reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **8. INFORMATION OF THE COMPANY AND FALCON**

The Company is a joint stock company incorporated in the PRC with limited liability. The Company is a white-feathered broiler meat exporter and retail enterprise of chicken meat food. The Company, together with its subsidiaries produce and sell processed chicken meat products and raw chicken meat products mainly from white-feathered broilers.

Falcon is a limited partnership formed in the Cayman Islands and principally engaged in investment holding services. As at the date of this announcement, the general partner of Falcon is Falcon Holding GP Limited, being a company directly wholly-owned by PAG Capital Limited. PAG Capital Limited is controlled by Pacific Alliance Group Limited, which is in turn wholly-owned by PAG. PAG is a leading investment firm founded by Mr. Weijian Shan, Mr. Christopher Marcus Gradel and Mr. Jon-Paul Toppino. It focuses on Asia and has three core strategies: Private Equity, Credit & Markets and Real Assets. Based in Asia, it has offices in all the major markets in Asia. As at 30 June 2022, PAG had more than USD50 billion in assets under management.

## **9. INTERNAL CONTROL MEASURES**

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

- (i) the finance department of the Company will closely monitor and record the actual maximum daily balance of loans (including interests accrued) to be provided by Falcon to the Group under the New Loan Framework Agreement to ensure that the maximum daily balance will not exceed the annual caps;
- (ii) the relevant personnel of the finance department and the internal control department of the Company will conduct regular checks to review and assess that the transactions contemplated under the Loan Agreements are entered into on normal commercial terms or better, are fair and reasonable, and conducted in accordance with the terms of the New Loan Framework Agreement and will also compare terms by obtaining quotations from Falcon and at least two other independent banks or financial institutions for the rates of loans of an equivalent amount and for the equivalent period, and will only borrow such loans if the terms quoted by Falcon are no less favourable than the terms quoted by such two other independent banks or financial institutions (as the case maybe);

- (iii) the independent non-executive Directors will conduct an annual review to confirm that the transactions under the New Loan Framework Agreement are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) the transactions are conducted in accordance with the terms of the New Loan Framework Agreement, which the terms are fair and reasonable as well as in the interests of the shareholders of the Company as a whole; and
- (iv) the auditors of the Company will conduct an annual review on the pricing and annual caps of the continuing connected transactions to be entered into pursuant to the New Loan Framework Agreement.

## 10. DEFINITIONS

|                           |  |
|---------------------------|--|
| “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 of Hong Kong Limited |
| “connected person”        | 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   |
| “Falcon”                  | Falcon Holding LP, a limited partnership formed in the Cayman Islands, controlled by PAG, the controlling shareholder of the Company   |
| “Group”                   | the Company and its subsidiaries   |
| “Listing Rules”           | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “Loan Agreement(s)”       | the loan agreements to be entered into between members of the Group and Falcon as contemplated under the New Loan Framework Agreement  |

|                                |  |
|--------------------------------|--|
| “Loan Framework Agreement”     | the loan framework agreement entered into by Falcon and the Company on 28 January 2023 in respect of loan extended by Falcon to members of the Group   |
| “New Loan Framework Agreement” | the loan framework agreement entered into by Falcon and the Company on 26 January 2024 in respect of loan extended by Falcon to members of the Group   |
| “PAG”                          | PAG, formerly known as PAG Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 28 June 2010   |
| “PRC”                          | the People’s Republic of China but excluding, for the purposes of this announcement, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB”                          | the lawful currency of the PRC   |
| “SOFR”                         | the secured overnight financing rate (SOFR) administered and published by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate)                      |
| “USD”                          | the lawful currency of the United States of America  |
| “%”                            | per cent   |

By order of the Board  
**Shandong Fengxiang Co., Ltd.**  
**Shi Lei**

*Executive Director and company secretary*

Shandong, the PRC, 26 January 2024

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