
HISTORY AND DEVELOPMENT

HISTORY AND DEVELOPMENT OF THE GROUP

Overview

The Group's history can be traced back to the 1990s when Mr. Liu XJ, our founder, non-executive Director and a Controlling Shareholder, recognised that there were great potentials in the PRC poultry industry. Mr. Liu XJ started his career since 1971 and used his savings to establish Fengxiang Group in 1994. He commenced his poultry business in Shandong in 1996 based on his previous working experience. For further details on Mr. Liu XJ, see "Directors, Supervisors and Senior Management".

In 2010, the Company was established as a joint stock limited liability company under the PRC law. For the purpose of streamlining the business of chicken breeding, slaughtering and processing of chicken meat products, Mr. Liu XJ restructured his poultry business and the Company became the holding company of the Group. We currently adopt a vertically integrated business model for our chicken meat products and have divided our businesses into three main divisions, (i) chicken breeding; (ii) slaughtering and processing; and (iii) sales of chicken meat products, chicken breeds and other products (including certain non-poultry products).

With the support from the local Sichuan government, we established a joint venture under our control, namely Xingwen Tianyang, with the Xingwen County Government in May 2016 and commenced breeding and production business of Sichuan Mountain Black Bone Chicken, a high nutritional value chicken meat product.

Since our establishment, our businesses have been conducted in the PRC and we gradually establish and grow our export business of which we supply a wide range of premium quality chicken meat products to customers in Japan, Malaysia, the European Union, Korea, Mongolia and Singapore mainly through Fengxiang Industrial and Fengxiang Food Development. Among all, Japan remains as the largest broiler meat product exporting country as at 31 December 2019. As such, we established Japan Fengxiang in 2017 and a research institution in Tokyo to enhance our research and development efforts as well as to improve our technical knowhow.

Throughout the years, we have built strong and long-term relationship with our customers. According to the Frost & Sullivan Report, we ranked as the second largest fully integrated white-feathered broiler producer in the PRC in terms of commercial broiler production volume in 2019 and with track record of exporting both raw and processed white-feathered chicken meat products overseas, we were the largest fully integrated white-feathered broiler meat exporter in the PRC in terms of export revenue and export volume in 2018.

BUSINESS MILESTONES

Set out below are the key milestones of the Group:

Year	Events
1996	Fengxiang Group, our predecessor operating the poultry business, was granted the self-operated import and export right (進出口經營權) by the Ministry of Foreign Trade and Economic Cooperation, PRC (對外貿易經濟合作部)
1996	We expanded to overseas markets
1997	We established Fengxiang Food Development
1998	We commenced our first processing production line

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Year	Events
2006	We were selected as one of the 17 enterprises exempted from the export food and agricultural products quality surveillance inspection (出口食品農產品免疫企業) by the State General Administration of Quality Supervision, Inspection and Quarantine, PRC (國家質量監督檢驗檢疫總局)
2010	The Company was established
2014	Our construction plan of white-feathered broilers breeding engineering and research centre (聊城市白羽肉雞健康養殖工程技術研究中心) in Liaocheng, Shandong was approved by the Ministry of Science and Technology of Liaocheng, PRC (聊城市科技局)
2016	We were awarded with the certificate of supplier (of Hong Kong Export Grade) (供港生鮮供應商證書) by the International Brand Management Centre, China Association of International Trade (中國國際貿易學會國際品牌管理中心) We launched our “優形 (iShape)” brand and sell and market our ready-to-eat chicken meat products We were accredited as a “new high-tech enterprise” (高新技術企業)
2017	Japan Fengxiang was established
2018	We were awarded Cobb Champion-Exceptional Performance in the Category of Company Average Number of Chicks Produced (科寶冠軍—2017年公司雛雞平均生產數量卓越表現) by Cobb-Vantress, Inc.
2019	We were awarded the honour of Enterprise with Outstanding Contribution in the Shandong food industry (山東省食品工業功勳企業) in July 2019 by the Shandong Food Industry Association (山東省食品工業協會) and the Shandong Industry-University-Research Institute Collaboration Association (山東省產學研合作促進會)
2020	The sales of our online marketplaces in February, March and April 2020 hit RMB10 million

CORPORATE DEVELOPMENT OF THE COMPANY

Major changes in the Company’s shareholding structure and registered capital

The Company was established as a joint stock limited liability company in the PRC on 17 December 2010 with a registered capital of RMB86 million. The principal business of the Company is breeding, slaughtering and processing, sale of poultry, and production and sale of animal feeds and organic fertiliser. On the date of its establishment, the Company was owned as to 60% and 40% by GMK Holdings and Fengxiang Investment, respectively.

As part of the family arrangement, on 21 December 2010, Mr. Liu XJ and Ms. Zhang XY as the then shareholders of GMK Holdings, approved the increase of registered capital of GMK Holdings pursuant to the capital contribution of approximately RMB2,624.3 million, RMB515.4 million, RMB380.2 million and RMB380.2 million by Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, respectively. Subsequent to the capital contributions, GMK Holdings was owned as to 67.22% by Mr. Liu XJ, 13.58% by Ms. Zhang XY, 9.6% by Mr. Liu ZG and 9.6% by Mr. Liu ZM.

In November 2011, the registered capital of the Company was increased to RMB215 million pursuant to the capital contribution of RMB129 million by Fengxiang Group as a new shareholder.

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The Company was owned as to 24% by GMK Holdings, 16% by Fengxiang Investment and 60% by Fengxiang Group. From November 2011 to August 2013, the Company experienced a series of increase of registered capital.

On 12 December 2018, Mr. Liu XJ and Ms. Zhang XY further transferred their 20.8% interest in GMK Holdings in aggregate to Mr. Liu ZG and Mr. Liu ZM. Subsequent to the transfer, GMK Holdings was owned as to 51% by Mr. Liu XJ, 9% by Ms. Zhang XY, 20% by Mr. Liu ZG and 20% by Mr. Liu ZM.

On 26 July 2019, GMK Holdings transferred 4.99% of its equity interests in the Company to Guangdong Hengqin at a consideration of RMB107 million. The consideration was determined with reference to the then net asset value of the Company as at 31 May 2019. The registration of such transfer with the Administration for Industry and Commerce was completed on 31 July 2019.

As at the Latest Practicable Date, the Company had a registered capital of RMB1,045 million and was owned as to 19.01% by GMK Holdings, 16% by Fengxiang Investment, 60% by Fengxiang Group and 4.99% by Guangdong Hengqin.

The transfer of equity interest in GMK Holdings and the Company within the members of the Liu Family as stated above was due to family arrangement and is not pre-IPO investments under the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange.

OUR SUBSIDIARIES

As at the Latest Practicable Date, we had seven subsidiaries. Set forth below are the establishment and development of our subsidiaries.

Fengxiang Food Development

Fengxiang Food Development was established as a limited liability company in the PRC on 22 April 1997 with a registered capital of RMB43.4 million by Fengxiang Group and L.D.C. (法國LDC公司) (“LDC”), a limited liability company registered under the laws of the French Republic and an independent third party. It commenced operations on the same date. On the date of establishment, Fengxiang Food Development was owned as to 35% and 65% by Fengxiang Group and LDC, respectively. The principal business of Fengxiang Food Development includes production and sale of chicken meat products, import and export of self-operated and distributed products and technology.

From September 2000 to April 2005, Fengxiang Food Development underwent a series of equity transfers and Fengxiang Food Development came under the full control of the Liu Family.

In January 2002 and 18 April 2005, LDC entered into two equity transfer agreements, with Fengxiang Investment and Wintime International Development Limited (永泰國際發展有限公司) (“Wintime”), a limited liability company incorporated in Hong Kong on 11 January 2005 which is owned as to 100% by Fortune City International Limited, which in turn is owned as to 100% by Mr. Liu ZM, one of the Controlling Shareholders, respectively. At the relevant time, LDC agreed to transfer its 20% and 45% equity interest in Fengxiang Food Development to Fengxiang Investment and Wintime, at a nominal consideration of RMB1.0 based on the net asset value of Fengxiang Food Development as at October 2001 which was nil and at a consideration of approximately RMB1.2 million which was determined with reference to the equity attributable to the owners of Fengxiang Food Development as at 31 December 2004, respectively. The transfers were completed on 17 June 2002 and 22 September 2005, respectively. Subsequent to the transfers, Fengxiang Food Development was wholly-owned by the Liu Family.

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Following the establishment and restructuring of the Company in 2010, the Company acquired the entire equity interest of Fengxiang Food Development from the Liu Family and Fengxiang Food Development became a wholly-owned subsidiary of the Company on 22 December 2011.

After a series of increase of registered capital of Fengxiang Food Development over the years, as at the Latest Practicable Date, Fengxiang Food Development had a registered capital of approximately RMB412.2 million.

Fengxiang Industrial

Fengxiang Industrial was established as a limited liability company in the PRC on 20 December 2011 by the Company with a registered capital of RMB86.9 million. It commenced operations on the same date. Fengxiang Industrial is primarily engaged in the processing and sale of poultry products.

After a series of increase of registered capital, Fengxiang Industrial had a registered capital of RMB606.9 million.

For the purpose of streamlining our corporate structure, on 12 March 2019, the Company, being the sole equity owner of Fengxiang Industrial and Yanggu Golden Phoenix Colour Printing & Packing Co., Ltd. (陽穀金鳳彩印包裝有限公司) (“**Yanggu Golden Phoenix**”), resolved to merge Yanggu Golden Phoenix into Fengxiang Industrial (the “**Merger**”). Yanggu Golden Phoenix was a company established under the laws of the PRC with a registered capital of RMB12.6 million. After completion of the Merger, Fengxiang Industrial was the surviving entity, and the registered capital of Fengxiang Industrial was increased to RMB619.5 million, the Company remained as the sole equity owner of Fengxiang Industrial. The Merger was approved by the Company by way of shareholders’ resolutions on 12 March 2019 and the registration of the Merger was duly registered with the Administration for Industry and Commerce on 18 June 2019.

Yanggu Xiangyu Organic Fertiliser

Yanggu Xiangyu Organic Fertiliser was established as a limited liability company in the PRC on 9 October 2014 by the Company with a registered capital of RMB19.8 million. It commenced operations on the same date. Yanggu Xiangyu Organic Fertiliser is primarily engaged in the production and sales of fertilisers.

After a series of increase of registered capital, as at the Latest Practicable Date, Yanggu Xiangyu Organic Fertiliser had a registered capital of RMB65 million.

Fengxiang Food

Fengxiang Food was established as a limited liability company in the PRC on 18 November 2015 by the Company with a registered capital of RMB60 million. It commenced operations on the same date. Fengxiang Food is primarily engaged in the production and sale of processed poultry products.

On 31 May 2016, the Company and Xizang Xinfengxiang, a limited partnership owned as to 49.5%, 49.5% and 1% by Mr. Liu ZG, Mr. Liu ZM and Xinfengxiang Guangming Investment Management Co., Ltd. (新鳳祥光明投資管理有限公司) (“**Xinfengxiang Guangming**”) (a limited liability company owned as to 50% and 50% by Mr. Liu ZG and Mr. Liu ZM), respectively, entered into an equity transfer agreement pursuant to which the Company agreed to transfer its 20% equity interest in Fengxiang Food to Xizang Xinfengxiang, at nil consideration. On the same date, the Company and Fengxiang Group entered into an equity transfer agreement pursuant to which the Company agreed to transfer its 80% equity interest in Fengxiang Food to Fengxiang Group, at nil consideration as no

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registered capital of Fengxiang Food was paid up as at 31 May 2016 and as part of their intragroup transfers. The aforesaid transfers were completed on 30 September 2016.

On 26 April 2018, the Company, Xizang Xinfengxiang and Fengxiang Group entered into an equity transfer agreement pursuant to which Xizang Xinfengxiang and Fengxiang Group agreed to transfer 20% and 80% equity interest in Fengxiang Food to the Company, at a total consideration of approximately RMB5.7 million, respectively. The consideration was determined with reference to the then net asset value of Fengxiang Food as at 31 March 2018. The aforementioned transfers were completed on 21 May 2018.

As at the Latest Practicable Date, Fengxiang Food had a registered capital of RMB60 million.

Japan Fengxiang

Japan Fengxiang is a joint stock corporation incorporated in Japan with limited liability (*kabushiki-kaisha*) on 28 December 2017 by the Company with a registered capital of 50 million Japanese Yen. It commenced its business operations on the same date. Japan Fengxiang is primarily engaged in food research and development.

As at the Latest Practicable Date, Japan Fengxiang had a registered capital of JPY50 million.

Xingwen Tianyang

Xingwen Tianyang was established as a limited liability company in the PRC on 26 May 2016 by the Company with a registered capital of RMB10 million. It commenced business on the same date. At the time of establishment, Xingwen Tianyang was held as to 90% and 10% by the Company and Xingwen County Shihai Agricultural Investment Company Limited (興文縣石海農業投資有限公司) ("**Xingwen Shihai**"), respectively. Xingwen Shihai is wholly-owned by Xingwen County Development Investment Group Company Limited (興文縣發展投資有限責任公司), which in turn is wholly-owned by Sichuan Xingwen County Finance Bureau (四川省興文縣財政局), an independent third party. Xingwen Tianyang is primarily engaged in breeding and processing of Sichuan Mountain Black Bone Chicken.

As at the Latest Practicable Date, Xingwen Tianyang had a registered capital of RMB10 million.

Yucheng Fengming

Yucheng Fengming was established as a limited liability company in the PRC on 18 August 2017 by Fengxiang Industrial and Shandong Yucheng Fengxiang Chicken Co., Ltd. (山東禹城鳳祥雞業有限公司) ("**Shandong Yucheng**"), a wholly-owned subsidiary of Fengxiang Group, with a registered capital of RMB33 million and deregistered on 2 November 2018. At the time of the establishment, Yucheng Fengming was owned as to 60% by Fengxiang Industrial and 40% by Shandong Yucheng. It commenced operations on the same date. On 22 June 2018, Shandong Yucheng and Fengxiang Industrial entered into an equity transfer agreement pursuant to which Shandong Yucheng agreed to transfer its 40% equity interest in Yucheng Fengming to Fengxiang Industrial, at a consideration of approximately RMB12.7 million. The consideration was determined with reference to the then net asset value of Yucheng Fengming as at 31 May 2018. The transfer was completed on 13 July 2018. Subsequent to the said transfer, Yucheng Fengming became an indirectly wholly-owned subsidiary of the Company. Yucheng Fengming is primarily engaged in the production and sale of poultry products.

As at the Latest Practicable Date, Yucheng Fengming had a registered capital of RMB33 million.

The PRC Legal Advisers have advised that, all requisite approvals from relevant competent departments and internal procedures involved in relation to all historical increases of registered

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capital and equity transfers of each of the PRC subsidiaries of the Group have been obtained and complied with, and all registered capital had been actually paid-up. The Japanese Legal Advisers have advised that Japan Fengxiang is validly existing under the Japanese laws.

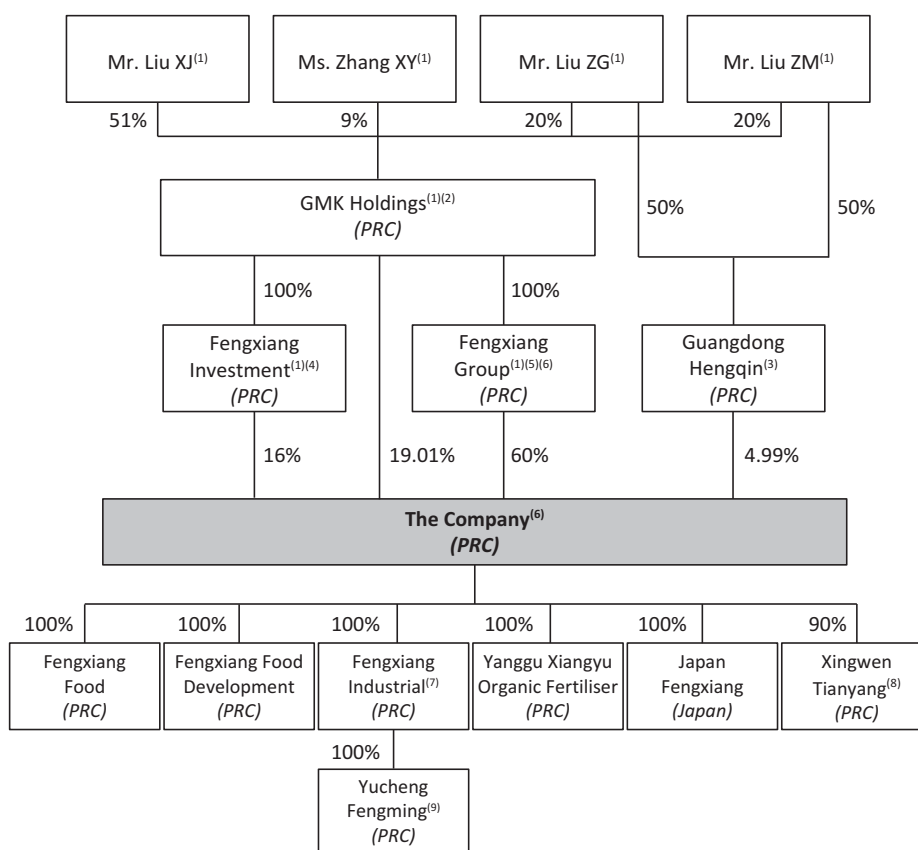
REORGANISATION FOR LISTING

For the purpose of better business delineation between the Group and its Controlling Shareholders, Fengxiang Supermarket was disposed of by the Company to Fengxiang Group on 13 July 2016. The Company then acquired Fengxiang Food from Xizang Xinfengxiang and Fengxiang Group on 21 May 2018. On 13 July 2018, the remaining 40% equity interests of Yucheng Fengming was acquired by Fengxiang Industrial and Yucheng Fengming became an indirectly wholly-owned subsidiary of the Company. For details, see “— Our Subsidiaries — Yucheng Fengming” above.

According to the accounting treatment, Fengxiang Supermarket has been excluded for the preparation of the Group’s historical financial information throughout the Track Record Period as stated in the Accountants’ Report in Appendix I to this prospectus.

GROUP STRUCTURE

The following chart sets forth our group structure as at the Latest Practicable Date and prior to the Global Offering:



Notes:

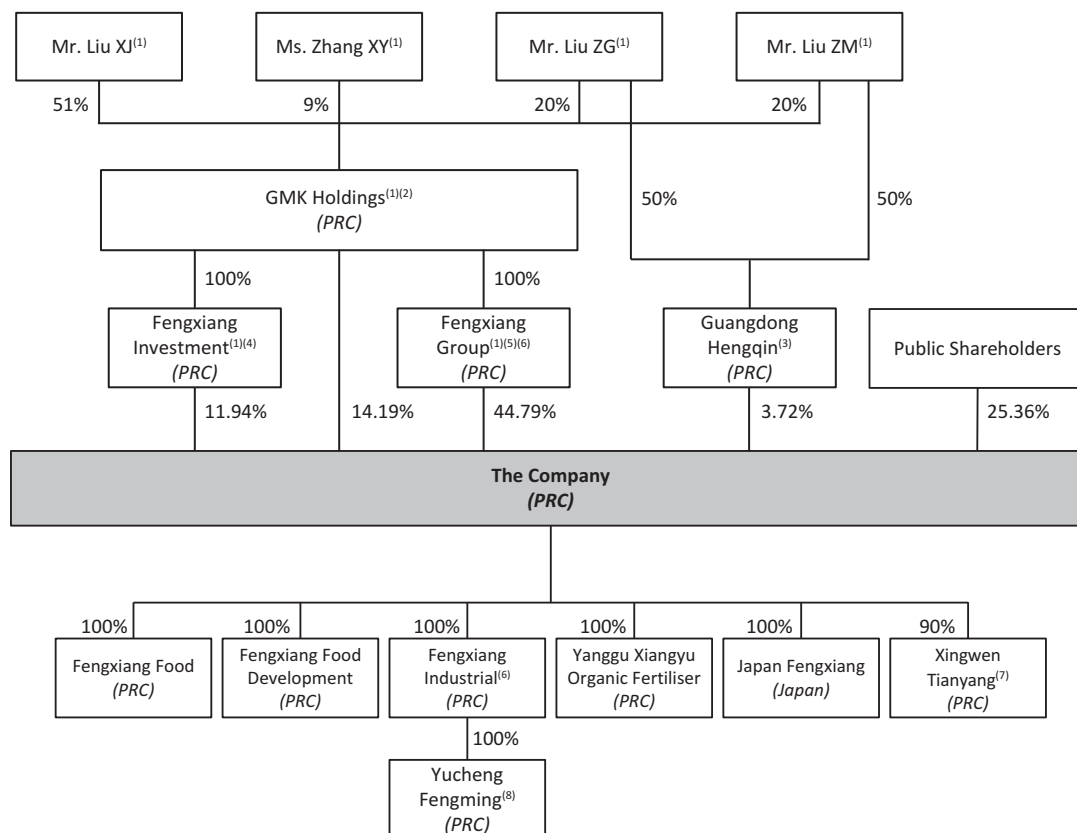
- Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM are the ultimate shareholders of the Company. Mr. Liu XJ and Ms. Zhang are spouses and parents of Mr. Liu ZG and Mr. Liu ZM. Mr. Liu ZG and Mr. Liu ZM are brothers and sons of Mr. Liu XJ and Ms. Zhang XY. Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, through GMK Holdings, Fengxiang Group, Fengxiang Investment, Guangdong

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Hengqin, Xinfengxiang Guangming and Xizang Xinfengxiang, directly or indirectly hold, in aggregate of 100% of total issued share capital of the Company prior to the Global Offering and all of the foregoing individuals and entities are considered to be a group of Controlling Shareholders of the Company.

2. GMK Holdings is a limited liability company established in the PRC on 29 October 2009 which is owned as to 51%, 9%, 20% and 20% by Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, respectively as at the Latest Practicable Date and is one of the Controlling Shareholders.
3. Guangdong Hengqin is a limited partnership established in the PRC on 13 April 2015 which is held as to 99% by Xizang Xinfengxiang and 1% by Xinfengxiang Guangming. Xizang Xinfengxiang is held as to 49.5% by Mr. Liu ZG, 49.5% by Mr. Liu ZM and 1% by Xinfengxiang Guangming. Xinfengxiang Guangming is a limited liability company established in the PRC on 26 March 2015, which is owned as to 50% by Mr. Liu ZG and 50% by Mr. Liu ZM, is the general partner of Guangdong Hengqin and Xizang Xinfengxiang.
4. Fengxiang Investment is a limited liability company established in the PRC on 15 September 2000 which is a wholly-owned subsidiary of GMK Holdings and is one of the Controlling Shareholders.
5. Fengxiang Group is a limited liability company established in the PRC on 30 June 1994 which is a wholly-owned subsidiary of GMK Holdings and is one of the Controlling Shareholders.
6. On 20 June 2016, the Company and Fengxiang Group entered into an equity transfer agreement pursuant to which the Company agreed to transfer its entire equity interest in Shandong Fengxiang Supermarket Co., Ltd. (山東鳳祥超市有限公司) (“**Fengxiang Supermarket**”), a wholly-owned insignificant subsidiary of the Company to Fengxiang Group. The disposal was completed on 29 December 2016 and Fengxiang Supermarket ceased to be a subsidiary of the Company.
7. On 12 March 2019, Yanggu Golden Phoenix was merged into Fengxiang Industrial with Fengxiang Industrial as the surviving entity after the Merger. As a result of the Merger, Yanggu Golden Phoenix was deregistered on 18 June 2019.
8. Xingwen Tianyang is a limited liability company established in the PRC on 26 May 2016 which is owned as to 90% by the Company and 10% by Xingwen Shihai. Xingwen Shihai is wholly-owned by Xingwen County Development Investment Group Company Limited (興文縣發展投資有限責任公司), which in turn is wholly-owned by the Sichuan Xingwen County Finance Bureau (四川省興文縣財政局), an independent third party.
9. On 18 August 2017, Yucheng Fengming was owned as to 60% by Fengxiang Industrial and 40% by Shandong Yucheng. On 22 June 2018, Shandong Yucheng and Fengxiang Industrial entered into an equity transfer agreement pursuant to which Shandong Yucheng agreed to transfer its 40% equity interest in Yucheng Fengming to Fengxiang Industrial. The transfer was completed on 13 July 2018. Subsequent to the said transfer, Yucheng Fengming became an indirect wholly-owned subsidiary of the Company.

The following chart sets forth our group structure immediately upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised:



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Notes:

1. Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM are the ultimate shareholders of the Company. Mr. Liu XJ and Ms. Zhang are spouses of each other and parents of Mr. Liu ZG and Mr. Liu ZM. Mr. Liu ZG and Mr. Liu ZM are brothers of each other and sons of Mr. Liu XJ and Ms. Zhang XY. Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, through GMK Holdings, Fengxiang Group, Fengxiang Investment, Guangdong Hengqin, Xinfengxiang Guangming and Xizang Xinfengxiang, directly or indirectly hold, in aggregate of approximately 74.64% of total issued share capital of the Company immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and all of the foregoing individuals and entities are considered to be a group of Controlling Shareholders of the Company.
2. GMK Holdings is a limited liability company established in the PRC on 29 October 2009 which is owned as to 51%, 9%, 20% and 20% by Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, respectively as at the Latest Practicable Date and is one of our Controlling Shareholders.
3. Guangdong Hengqin is a limited partnership established in the PRC on 13 April 2015 which is held as to 99% by Xizang Xinfengxiang and 1% by Xinfengxiang Guangming. Xizang Xinfengxiang is held as to 49.5% by Mr. Liu ZG, 49.5% by Mr. Liu ZM and 1% by Xinfengxiang Guangming. Xinfengxiang Guangming is a limited liability company established in the PRC on 26 March 2015, which is owned as to 50% by Mr. Liu ZG and 50% by Mr. Liu ZM, is the general partner of Guangdong Hengqin and Xizang Xinfengxiang.
4. Fengxiang Investment is a limited liability company established in the PRC on 15 September 2000 which is a wholly-owned subsidiary of GMK Holdings and is one of the Controlling Shareholders.
5. Fengxiang Group is a limited liability company established in the PRC on 30 June 1994 which is a wholly-owned subsidiary of GMK Holdings and is one of the Controlling Shareholders.
6. On 12 March 2019, Yanggu Golden Phoenix was merged into Fengxiang Industrial with Fengxiang Industrial as the remaining entity surviving the merger. As a result of the merger, Yanggu Golden Phoenix was deregistered on 18 June 2019.
7. Xingwen Tianyang is a limited liability company established in the PRC on 26 May 2016 which is owned as to 90% by the Company and 10% by Xingwen Shihai. Xingwen Shihai is wholly owned by Xingwen County Development Investment Group Company Limited (興文縣發展投資有限責任公司), which in turn is wholly owned by the Sichuan Xingwen County Finance Bureau (四川省興文縣財政局), an independent third party.
8. On 18 August 2017, Yucheng Fengming was owned as to 60% by Fengxiang Industrial and 40% by Shandong Yucheng. On 22 June 2018, Shandong Yucheng and Fengxiang Industrial entered into an equity transfer agreement pursuant to which Shandong Yucheng agreed to transfer its 40% equity interest in Yucheng Fengming to Fengxiang Industrial, at a consideration of approximately RMB12.7 million. The consideration was determined with reference to the then net asset value of Yucheng Fengming as at 31 May 2018. The transfer was completed on 13 July 2018. Subsequent to the said transfer, Yucheng Fengming became an indirectly wholly-owned subsidiary of the Company.