

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LABIXIAOXIN SNACKS GROUP LIMITED

蠟筆小新休閒食品集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1262)

VOLUNTARY ANNOUNCEMENT

DISPOSAL OF INTEREST BY CONTROLLING SHAREHOLDERS

DISPOSAL OF INTEREST BY CONTROLLING SHAREHOLDERS

This announcement is made by the Company on a voluntary basis.

The Board has been informed by the Controlling Shareholders that the Controlling Shareholders have entered into the Sale and Purchase Agreement with the Purchaser on 3 July 2019, pursuant to which Alliance Holding has conditionally agreed to dispose, and the Purchaser has conditionally agreed to acquire, the Sale Shares (being the entire issued shares of the SPV) for an aggregate consideration of HK\$147,300,000.

As at the date of this announcement, Alliance Holding held approximately 45.97% of the total number of Shares in issue. Upon the entering of the Sale and Purchase Agreement, Alliance Holding shall procure to incorporate the SPV, upon which Alliance Holding shall transfer 19.64% of the Shares in issue as at the date of the Sale and Purchase Agreement held by it to the SPV. Upon completion of the Restructuring, Alliance Holding agreed to dispose, and the Purchaser (or an entity as designated by the Purchaser) agreed to acquire, the entire issued shares of the SPV.

Upon completion of the Disposal, Alliance Holding and the Purchaser (or an entity as designated by the Purchaser) will hold approximately 26.33% and 19.64% of the total number of Shares in issue as at the date of the Sale and Purchase Agreement, respectively.

Shareholders and potential investors of the Company should note that the Disposal are subject to the satisfaction of the conditions precedent under the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company on a voluntary basis.

DISPOSAL OF INTEREST BY CONTROLLING SHAREHOLDERS

The Board has been informed by the Controlling Shareholders that Alliance Holding as vendor, Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong as guarantors to the vendor, have entered into the Sale and Purchase Agreement with the Purchaser on 3 July 2019, pursuant to which Alliance Holding has conditionally agreed to dispose, and the Purchaser has conditionally agreed to acquire, the Sale Shares (being the entire issued shares of the SPV) for an aggregate consideration of HK\$147,300,000.

As at the date of this announcement, Alliance Holding held approximately 45.97% of the total number of Shares in issue. Upon the entering of the Sale and Purchase Agreement, Alliance Holding shall procure to incorporate the SPV, upon which Alliance Holding shall transfer 19.64% of the Shares in issue as at the date of the Sale and Purchase Agreement held by it to the SPV (the “**Restructuring**”). Upon completion of the Restructuring, Alliance Holding agreed to dispose, and the Purchaser (or an entity as designated by the Purchaser) agreed to acquire, the entire issued shares of the SPV.

Upon completion of the Disposal, Alliance Holding and the Purchaser (or an entity as designated by the Purchaser) will hold approximately 26.33% and 19.64% of the total number of Shares in issue as at the date of the Sale and Purchase Agreement, respectively.

The Company has been informed by the Controlling Shareholders that the Purchaser is unrelated to any of them. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Consideration

The aggregate consideration for the sale and purchase of the Sale Shares from Alliance Holding to the Purchaser under the Sale and Purchase Agreement is HK\$147,300,000.

Within 20 business days after the entering of the Sale and Purchase Agreement (or such other date as otherwise agreed in writing), the Purchaser shall pay an amount of RMB20,000,000 (or an equivalent amount in HK\$) to Alliance Holding as deposit (the “**Deposit**”), the Deposit of which shall form part of the consideration for the Disposal. The Deposit shall be refunded to the Purchaser in the event of termination of the Sale and Purchase Agreement due to default of Alliance Holding. As security for the obligations of Alliance Holding to refund the Deposit, Mr. Zheng Yu Long agreed to provide receivables due from the Company in the amount of RMB20,000,000 as asset pledge in favour of the Purchaser. Further, as security for the obligations of Alliance Holding under the Sale and Purchase Agreement, Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong agreed to provide guarantee in favour of the Purchaser.

Conditions Precedent

Completion is conditional upon the fulfilment (or waiver) of the following conditions on or before the Long Stop Date, among others:

- (a) the Purchaser having conducted and satisfied with the business, financial and legal due diligence on the SPV and the Group;
- (b) the Purchaser (or an entity as designated by the Purchaser) having completed and obtained all necessary registration and approval required under the relevant laws and regulations in the PRC in relation to the Disposal, and the relevant registration and approval having remained valid and effective;

- (c) the Restructuring having been duly completed;
- (d) no material adverse change having been occurred to the SPV and the Group; and
- (e) Alliance Holdings and the Purchaser not having breached any of the representations, warranties and other obligations under the Sale and Purchase Agreement.

The Purchaser has the right to waive all or part of the above conditions.

If the above conditions are not fulfilled or waived on or before the Long Stop Date, either the Purchaser or Alliance Holding has the right to terminate the Sale and Purchase Agreement in writing and neither party will be liable to the other except for antecedent breaches.

INFORMATION OF ALLIANCE HOLDING

Alliance Holding is a company incorporated in the British Virgin Islands and as at the date of this announcement, Alliance Holding directly held approximately 45.97% of the total number of Shares in issue as at the date of the Sale and Purchase Agreement. Upon completion of the Disposal, Alliance Holding and the Purchaser (or an entity as designated by the Purchaser) will hold approximately 26.33% and 19.64% of the Shares in issue as at the date of the Sale and Purchase Agreement, respectively.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND STRATEGIC ALLIANCE WITH THE PURCHASER

The Company is an investment holding company. The principal activities of the Group are manufacturing and sales of jelly products, confectionary products, beverages products and other snacks products.

The Purchaser is an equity investment fund established in the PRC and funded by state-owned enterprise of Lai Xi City, Qingdao. One of the primary missions of the investment fund is to consolidate and develop the food industry in Lai Xi City by way of facilitating merger and acquisition with other food and beverages enterprise that could create synergy. The management team of which comprise of expertise from the domestic top food industry management operations and investment team, and participates in merger and acquisition through investment in listed companies in the food industry.

Upon the completion of the Disposal, it is intended that the Company and the Purchaser will establish a strategic alliance, whereupon the Purchaser will utilise its upstream and downstream resources within the food industry in Qingdao to support the future business expansion of the Company, by integrating domestic and/or international food industry resources, injecting new business and asset into the Company. The Purchaser may also introduce appropriate investors to invest in the Company with an objective to provide additional financial resources to support the future expansion of the Company. By cooperating with the professional management team of the Purchaser in terms of business operations, industry resources and marketing network advantages, it is expected that the strategic alliance with the Purchaser upon completion of the Disposal will provide an opportunity to the Company for it to transform into a comprehensive snack food provider in the PRC. The Company also intends to establish a main office at Lai Xi City, Qingdao for its new businesses expansion. Based on the aforesaid, the Company believes that the strategic alliance with the Purchaser is in the best interests of the Company and its Shareholders as a whole.

Shareholders and potential investors of the Company should note that the Disposal are subject to the satisfaction of the conditions precedent under the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Alliance Holding”	Alliance Food And Beverages (Holding) Company Limited, a company incorporated in the British Virgin Islands with limited liability on 28 December 2004 and is owned as to 28% by Mr. Zheng Yu Long, 28% by Mr. Zheng Yu Shuang, 28% by Mr. Zheng Yu Huan and 16% by Mr. Li Hung Kong as at the date of this announcement
“Board”	the board of Directors

“Company”	Labixiaoxin Snacks Group Limited (蠟筆小新休閒食品集團有限公司, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1262)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the same meaning ascribed to it under the Listing Rules and refers to Alliance Holding, Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares by Alliance Holding pursuant to the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 August 2019 (or such other date as may be agreed between Alliance Holding and the Purchaser)

“Purchaser”	Qingdao Yunzhi Fengying Equity Investment Fund Partnership (Limited Partnership)* (青島韻摯豐盈股權投資基金合夥企業(有限合夥)), an equity investment fund established in the PRC
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued shares of the SPV
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 3 July 2019 entered into by and between the Controlling Shareholders and the Purchaser in respect of the Disposal
“Share(s)”	ordinary shares of US\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPV”	a company to be incorporated and wholly-owned by Alliance Holding
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“US\$” United States dollars, the lawful currency of United States

“%” per cent.

* *For identification purposes only*

By Order of the Board
Mr. Zheng Yu Huan
Chairman

Hong Kong, 3 July 2019

As at the date of this announcement, the Board comprises eight members, of which Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan are the executive Directors, Mr. Li Hung Kong and Mr. Ren Yunan are the non-executive Directors and Mr. Li Zhi Hai, Ms. Sun Kam Ching and Mr. Chung Yau Tong are the independent non-executive Directors.