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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Labixiaoxin Snacks Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**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)**

**MAJOR TRANSACTION IN RELATION TO  
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN  
THE TARGET COMPANY**

**Financial Adviser**



BAOQIAO PARTNERS

**BAOQIAO PARTNERS CAPITAL LIMITED**

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Capitalised terms used in this circular shall have the same meanings as defined in the section headed "Definitions" in this circular unless the context otherwise requires.

A letter from the Board is set out on pages 6 to 23 of this circular.

28 August 2020

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Announcement”	the announcement of the Company dated 27 July 2020 in relation to the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bank”	Shanghai Pudong Development Bank Co., Ltd., Tianjin Pushun Sub-branch* (上海浦東發展銀行天津分行浦順支行)
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong and the PRC are generally open for business
“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)
“Completion”	Completion of the Transaction in accordance with the terms of the Equity Transfer Agreement
“Completion Date”	the day on which Completion takes place in accordance with the terms of the Equity Transfer Agreement
“Conditions”	the conditions set out under the section headed “The Equity Transfer Agreement – Conditions Precedent” in this circular
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Demolition”	demolishment of the original building structures of the Target Property as disclosed in the paragraph headed “Redevelopment of the Target Property” in this circular
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Entrusted Loan”	an entrusted loan with the principal amount of RMB100 million agreed to be granted by the Purchaser’s nominee (as lender) to Target Company (as borrower) through the Bank (as lending agent) in accordance with the Entrusted Loan Agreement
“Entrusted Loan Agreement”	the conditional entrusted loan agreement to be entered into among the Purchaser’s nominee, the Bank and the Target Company in relation to the Entrusted Loan
“Estimated Consideration”	consideration of RMB288,428,356 for the Transaction pursuant to the Equity Transfer Agreement
“Equity Interests Pledge”	the pledge of the entire equity interest of Target Company by the Vendor in favour of the Purchaser for the Target Company’s obligations under the Entrusted Loan
“Equity Interests Pledge Procedures”	the registration of the Equity Interests Pledge with the relevant Administration for Industry and Commerce in the PRC
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 27 July 2020 entered into between the Vendor, the Purchaser, the Vendor’s Guarantor and the Target Company in relation to the Transaction
“Equity Transfer Procedures”	the relevant procedures pursuant to the applicable laws and the requirements of the relevant governmental authorities in respect of the Transaction, including but not limited to the registration with the relevant Administration for Industry and Commerce in the PRC of the Transaction and obtaining a new business licence
“ESR”	ESR Cayman Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1821)
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the guarantee agreement to be entered into between the Vendor’s Guarantor and the Purchaser in relation to the provision of the guarantee by the Vendor’s Guarantor to the Target Company for the Entrusted Loan

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## DEFINITIONS

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“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
“Independent Valuer”	Peak Vision Appraisals Limited, an independent valuer appointed by the Company to value the market value on the Target Land
“Intra-group Debts”	all amount of net debts (if any) owed by the Target Company to the Remaining Group
“Latest Practicable Date”	27 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Properties”	new properties to be built on the Target Land as disclosed in the paragraph headed “Redevelopment of the Target Property” in this circular
“Purchaser”	Lucky Gamma Offshore Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property Pledge”	the pledge of the interest in the Target Land and Property by the Target Company in favour of the Purchaser for the Target Company’s obligations under the Entrusted Loan
“Property Pledge Procedures”	the registration of the Property Pledge with the relevant Administration for Industry and Commerce in the PRC
“Remaining Group”	the Group immediately after Completion
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Shanghai e-Shang”	Shanghai e-Shang Warehouse Service Co., Ltd. (上海益商倉儲服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of ESR
“Shanghai e-Yao”	Shanghai e-Yao Warehousing Service Co., Ltd (上海易耀倉儲服務有限公司), a company established in the PRC with limited liability and a fellow subsidiary of the Purchaser
“Share(s)”	ordinary shares of US\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Tianjin Huakunda Supply Chain Management Co., Ltd.* (天津華坤達供應鏈管理有限公司), a company established in the PRC with limited liability whose entire issued share capital is legally and beneficially owned by the Vendor as at the Latest Practicable Date
“Target Land”	the land use rights granted to the Target Company as at the Latest Practicable Date, details of which are set out in the sections headed “Information of the Parties and the Target Land and Property” and “Background of the Transaction” in this circular
“Target Land and Property”	Target Land and Target Property
“Target Property”	the industrial complex erected on the Target Land and owned by the Target Company as at the Latest Practicable Date, details of which are set out in the sections headed “Information of the Parties and the Target Land and Property” and “Background of the Transaction” in this circular
“Transaction”	the sale and transfer of the entire equity interest in Target Company by Vendor to the Purchaser pursuant to the terms of the Equity Transfer Agreement

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## DEFINITIONS

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“Transaction Documents”	the Equity Transfer Agreement and other transaction documents, including the Entrusted Loan Agreement, the agreements relating the Equity Interests Pledge and Property Pledge, and the Guarantee Agreement
“US\$”	United States dollars, the lawful currency of United States
“Valuation Report”	the valuation report on the Target Land prepared by the Independent Valuer, the text of which is set out in Appendix II to this circular
“Vendor” or “LBXX Tianjin”	Labixiaoxin (Tianjin) Co., Ltd. (蠟筆小新(天津)有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Vendor’s Guarantor” or “LBXX Fujian”	Labixiaoxin (Fujian) Food Stuff Industry Co., Ltd. (蠟筆小新(福建)食品工業有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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### **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)**

*Executive Directors:*

Mr. Zheng Yu Huan (*Chairman*)

Mr. Zheng Yu Shuang (*Chief Executive Officer*)

Mr. Zheng Yu Long

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Non-executive Directors:*

Mr. Li Hung Kong (*Vice-Chairman*)

*Headquarters and Principal Place of*

*Business in the PRC:*

*Independent Non-executive Directors:*

Mr. Li Biao

Ms. Sun Kam Ching

Mr. Chung Yau Tong

Wuli Industrial Area

Jinjiang, Fujian

PRC

*Place of Business in Hong Kong:*

7th Floor, AT Tower

180 Electric Road

North Point, Hong Kong

28 August 2020

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY**

#### **INTRODUCTION**

Reference is made to the Announcement in respect of, among other things, the Equity Transfer Agreement and the Transaction.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) the valuation report on the Target Land; and (iv) other information as required under the Listing Rules.

### THE EQUITY TRANSFER AGREEMENT

On 27 July 2020 (after trading hours), the Vendor, the Vendor's Guarantor, the Purchaser, and the Target Company (collectively, the **"Parties"**) entered into the Equity Transfer Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire, the Vendor has conditionally agreed to sell the entire equity interest in the Target Company at the Final Consideration, representing the Estimated Consideration of RMB288,428,356 (subject to Adjustments), pursuant to the terms and conditions of the Equity Transfer Agreement.

#### Principal Terms of the Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date: 27 July 2020 (after trading hours)

Parties:

- (a) the Vendor (as the vendor);
- (b) the Vendor's Guarantor (as the guarantor);
- (c) the Purchaser (as the purchaser); and
- (d) the Target Company.

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.

#### Assets to be disposed of

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company.

The principal asset of the Target Company is the Target Land and Property, details of which has been disclosed in the sections headed "Information of the Parties and the Target Land and Property" and "Background of the Transaction" in this circular.

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## LETTER FROM THE BOARD

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### **The Entrusted Loan**

As part of the Equity Transfer Agreement, the Purchaser (via its nominee) as lender, the Bank, as lending agent and the Target Company, as borrower will enter into a conditional Entrusted Loan Agreement, pursuant to which the Bank will provide an Entrusted Loan in an aggregate amount of RMB100,000,000, which shall be payable in two instalments of RMB60,000,000 (the “**First Drawdown**”) and RMB40,000,000 (the “**Second Drawdown**”) respectively to the Target Company on the principal indicative terms (which are subject to the Entrusted Loan Agreement to be signed) set out below.

### ***Interest rate***

The Entrusted Loan will be interest free. If the Equity Transfer Agreement has become inoperative, cannot proceed or the Parties have agreed to terminate the Equity Transfer Agreement, an interest rate of not more than 18% per annum will be applied to the Entrusted Loan.

### ***Agency fee***

The Target Company shall pay an agency fee of not more than RMB500,000 to the Bank (the “**Agency Fee**”).

### ***Term***

The term of the Entrusted Loan will be not more than one year.

### ***Early repayment***

The Target Company may repay in full or part in advance.

### ***Conditions precedent***

The payment of the Entrusted Loan by the Bank to the Target Company is conditional upon the fulfillment of the following conditions:

- (a) the Entrusted Loan Agreement having been executed (i.e. signed by the Purchaser’s nominee, the Bank and the Target Company) and the Purchaser having received the duly signed Entrusted Loan Agreement;
- (b) the Guarantee Agreement having been executed; the Equity Interests Pledge Procedures and Property Pledge Procedures having been completed;
- (c) the payment of the first installment of the Agency Fee by the Vendor (on behalf of the Target Company) to the Bank;

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## LETTER FROM THE BOARD

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- (d) the Conditions (except for Conditions (4), (10), (11), (12), (13), (14), (15), (16), (23) and (25)) having been fulfilled (or waived by the Purchaser as the case may be);
- (e) the Repayment (as defined below and in respect of the Second Drawdown only); and
- (f) other conditions precedent to the Entrusted Loan Agreement, as may be customary in accordance with market practice.

The Entrusted Loan and the Equity Transfer Agreement are not interconditional.

Pursuant to the Equity Transfer Agreement, the Parties have further agreed that the Target Company shall grant a loan of RMB100,000,000 to the Vendor following the Entrusted Loan Agreement becoming effective and such loan shall be conditional upon the fulfillment of the conditions precedent to the Entrusted Loan Agreement by the Target Company (the “**Inter-company Loan**”). Part of the proceeds of the Inter-company Loan shall be applied to repay (i) the outstanding loan (together with accrued interest) of approximately RMB44,426,000 from Shanghai e-Yao (the “**e-Yao Loan**”), a related party of the Purchaser, to the Vendor; and (ii) the outstanding handling fee of RMB500,000 payable to the entrusted bank of a fully repaid entrusted loan from Shanghai e-Shang (the “**e-Shang Loan**”) to the Vendor (collectively the “**Repayment**”).

### ***The Guarantee Agreement, the Equity Interests Pledge and Property Pledge***

Under the terms of the Equity Transfer Agreement,

- (i) The Vendor’s Guarantor will enter into a Guarantee Agreement in favour of the Purchaser, pursuant to which the Vendor’s Guarantor agreed to provide a guarantee to secure the due performance by the Target Company of its obligations under the Entrusted Loan (the “**Guarantee**”); and
- (ii) The Vendor and the Target Company agreed to pledge the entire equity interest in the Target Company and the interests in the Target Land and Property respectively in favour of the Purchaser as security for the repayment of the Entrusted Loan by the Target Company.

As at the Latest Practicable Date, the entire equity interest in the Target Company has been pledged by the Vendor in favour of Shanghai e-Yao to secure its payment obligations under the e-Yao Loan. Such pledge will be released for the arrangement of the Equity Interests Pledge Procedures pursuant to the terms of the Equity Transfer Agreement.

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## LETTER FROM THE BOARD

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Pursuant to the Equity Transfer Agreement, the repayment of the Entrusted Loan is not a condition precedent to the Equity Transfer Agreement but the Entrusted Loan shall be repaid on or before the date of Completion as disclosed under paragraph headed “Payment” in this circular and the Guarantee will be released simultaneously with such repayment as part of the Guarantee Agreement.

### Consideration

The consideration for the Transaction will be equal to the amount of the Final Consideration representing the Estimated Consideration of RMB288,428,356 (subject to Adjustments).

The Estimated Consideration is RMB288,428,356. Such Estimated Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser and arrived at on normal commercial terms with reference to the unaudited net assets value of Target Company of approximately RMB116,450,000 as at 31 May 2020 and the value of the Target Land and Property of RMB290,000,000 agreed between the Purchaser and the Vendor (the “**Agreed Value**”) with reference to the appraised value of the Target Land and Property appraised by an independent professional valuer engaged by the Group at approximately RMB271,000,000 (comprising the Target Land of approximately RMB73.9 million and the Target Property of approximately RMB196 million respectively) as at 31 December 2019 (“**31 Dec Value**”) for the purpose of annual financial reporting for the year ended 31 December 2019, representing the most recent appraised value of the Target Land and Property as a production base.

Information on the Target Land and Property has been disclosed in the section headed “Information of the Parties and the Target Land and Property” in this circular.

The Target Property is in process of demolition as disclosed in the section headed “Background of the Transaction” below and no property valuation can be performed. The Company has engaged the Independent Valuer to perform a valuation on the Target Land and the details of the Valuation Report are set out in “Appendix II – Valuation Report on the Target Land” in this circular. As set out in the Valuation Report, the appraised value of the Target Land as at 31 May 2020 is HK\$74,000,000 by market approach (i.e. direct comparison approach), which approximates the appraised value of the Target Land as at 31 December 2019.

As disclosed under the paragraph headed “Redevelopment of the Target Property” in this circular and having considered (i) the current status of the Target Land and Property, (ii) the reconstruction plan of the Target Property, as a production and supply chain base, submitted by the Target Company for the application of the Construction Planning Permit (as defined below); (iii) the Target Land and Property is for industrial use and there will be no change in the right of use of the Target Land and the New Properties that will cause material impact to their values as based on the reconstruction plan; and (iv) the Vendor will only bear the cost of Demolition while the construction and redevelopment, including the building costs of the New Properties, will be borne by the Purchaser, it was agreed between the Purchaser and the Vendor that, (i) completion of the Demolition (and the cost of which to be borne by the Vendor) and obtaining the

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## LETTER FROM THE BOARD

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construction planning for the construction of the New Properties by the Target Company shall be conditions precedent to the Equity Transfer Agreement; and (ii) in return, the consideration for the Transaction will account for the latest appraised value of the Target Land and Property as a production base before Demolition (i.e. 31 Dec Value).

### ***Adjustments***

Pursuant to the terms and conditions of the Equity Transfer Agreement, such Estimated Consideration is subject to the Adjustments set out below:

The consideration payable by the Purchaser shall be adjusted by the difference between the net value of the assets (other than the Target Land and Property) and liabilities of the Target Company as of the Completion Date and the Estimated Consideration (net of the Agreed Value of the Target Land and Property of RMB290,000,000).

### ***Completion Accounts***

The Vendor shall procure the Target Company to deliver the unaudited management accounts of the Target Company at the Completion Date (the “**Completion Accounts**”) prepared in accordance with the generally accepted accounting standards applicable to the Target Company within 10 Business Days after the Completion Date for the determination of the final consideration (the “**Final Consideration**”).

The Purchaser has the right to request for an audit on the Completion Accounts by qualified auditors by serving a written notice to the Vendor and the Target Company within 30 Business Days after the Completion Date.

If the Purchaser does not request for an audit on the Completion Accounts within 30 Business Days or it confirms the Completion Accounts on the 30th Business Day after the Completion Date, the Completion Accounts shall be final.

In the event that an auditor will be engaged to finalise the Completion Accounts, such audited Completion Accounts, which shall be completed within 30 Business Days from the date of notice from the Purchaser for requesting audit on the Completion Accounts, shall be final and binding.

For easy reference, the Final Consideration represents:

$$\text{Consideration} = A + B - C$$

A: the Agreed Value of the Target Land and Property recognised by the Parties (i.e. RMB290,000,000).

B: the total assets value of the Target Company (excluding the Target Land and Property) in the Completion Accounts as at the Completion Date.

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## LETTER FROM THE BOARD

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C: the total liabilities value of the Target Company in the Completion Accounts as at the Completion Date.

The Board is of the view that the consideration is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

### ***Payment***

The consideration payable by the Purchaser to the Vendor will be paid by installments in the following manners:

- (a) within 5 Business Days (or such other date as may be agreed between the Purchaser and Vendor in writing) after all the Conditions having been fulfilled (or waived by the Purchaser as the case may be), RMB60,000,000 (the “**First Instalment**”) will be deposited by the Purchaser to a bank account designated by the Vendor. The Vendor shall on the same day deposit the First Instalment to a bank account designated by the Target Company for the partial repayment of the Inter-company Loan to the Target Company and the Target Company shall apply the same amount for the partial repayment of the Entrusted Loan;
- (b) within 5 Business Days (or such other date as may be agreed between the Purchaser and Vendor in writing) after completion of (a) above, RMB40,000,000 (the “**Second Instalment**”) will be deposited by the Purchaser to a bank account designated by the Vendor. The Vendor shall on the same day deposit the Second Instalment to a bank account designated by the Target Company for the repayment of the remaining balance of the Inter-company Loan to the Target Company and the Target Company shall apply the same amount for the partial repayment of the Entrusted Loan;
- (c) On the Completion Date (provided that (a) and (b) above having been completed and the Entrusted Loan having been fully repaid), the amount calculated as follow (the “**Third Instalment**”) will be deposited by the Purchaser to a bank account designated by the Vendor:

The Third Instalment = 95% of the Estimated Consideration – the First Instalment – the Second Instalment

- (d) On the date of, whichever is later, (a) the fifth (5th) Business Days after Completion and the Final Consideration having been determined (which is expected to be no longer than 70 Business Days after Completion); or (b) the date fall on the third month after completion of the new business registration of the Target Company as a result of the Transaction, or (c) such other date as may be agreed between the Purchaser and Vendor in writing, the final settlement amount (the “**Final Settlement Amount**”) calculated using the following formula will be, if the Final Settlement Amount is

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## LETTER FROM THE BOARD

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positive, deposited by the Purchaser (or its designate party) or if the Final Settlement Amount is negative, the Vendor, to the respective bank accounts designated by the Vendor or the Purchaser (as the case may be).

The Final Settlement Amount = the Final Consideration – the First Instalment – the Second Instalment – the Third Instalment

### Conditions Precedent

Completion of the Transaction is conditional upon fulfilment or waiver (as the case may be) of the following Conditions:

- (1) the representations and warranties made by the Vendor, Vendor's Guarantor and the Target Company (collectively, the "**Warrantors**") contained in the Transaction Documents having remained true, accurate, completed and not misleading in all material respect; the Warrantors having performed and complied with the obligations under the Transaction Documents;
- (2) the Purchaser having obtained the Transaction Documents duly signed by the relevant parties other than the Purchaser (i.e. the Vendor, Vendor's Guarantor and/or the Target Company (as applicable));
- (3) no governmental authority or stock exchange having enacted, issued, promulgated, enforced or entered any order which is in effect and has the effect of making the transactions contemplated under the Transaction Documents illegal, otherwise restraining or prohibiting consummation of any transactions under the Transaction Documents;
- (4) the Warrantors having obtained and delivered to the Purchaser the resolutions of all relevant board and/or shareholders' approvals and/or consents which are required for the execution and performance of the Transactions Documents (including the Shareholders' approval from the Company); the Warrantors having obtained all necessary power and authority and all necessary consents from third parties (including but not limited to government approvals), which are required for the execution and performance of the Transaction Documents; the Vendor having complied with the applicable laws and the requirements of applicable stock exchanges in relation to the disclosure of the Transaction information and the context of which having agreed with the Purchaser;
- (5) the Target Company's business having been conducted in the ordinary and normal course and no action having been commenced against the Target Company and the Target Property which would materially affect the Target Company, the Target Property and the consummation of the Transaction; there being no breach of the

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## LETTER FROM THE BOARD

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Transaction Documents by the Warrantors or such breach having been remedied to the satisfaction of the Purchaser; there has been no material adverse change in relation to the Vendor, the Target Company and the Target Property;

- (6) the leases (if the Target Property is attached to any leases) being terminated without unresolved disputes and at the cost of the Vendor;
- (7) the Target Company having fulfilled the government demands (if any) on investments or tax commitment in respect of the Target Property;
- (8) the Vendor having transferred the utilities contracts (including but not limited to electricity and water supply contracts) under its name for the operation of the Target Property to the Target Company;
- (9) the Equity Interests Pledge Procedures being completed;
- (10) the Equity Transfer Procedures being completed;
- (11) the Vendor and the Target Company having completed the procedures of the foreign exchange business registration for the Target Company and obtained the new foreign exchange business registration record;
- (12) a bank account designated for mergers and acquisitions being opened by the Vendor for the purpose of consideration settlement;
- (13) the change of bank signatories of the Target Company being completed to the satisfaction of the Purchaser;
- (14) the Target Company having obtained the new bank account permit of all the Target Company's banks accounts showing the change of authorised person appointed by the Purchaser; and the information in relation to the equity transfer of the Target Company being updated in the information system of the People's Bank of China;
- (15) the Vendor having repaid the e-Yao Loan in accordance with the terms of the Transfer Agreement;
- (16) the Vendor having repaid the outstanding handling fee of the e-Shang Loan in accordance with the terms of the Transfer Agreement;
- (17) all the management of the Target Company including directors, supervisors and managers having signed the resignation letters in the form and context as specified in the Equity Transfer Agreement and the Purchaser having provided the nomination list of all directors, supervisors and managers of the Target Company;



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## LETTER FROM THE BOARD

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- (18) the payment of salaries and other social insurance by the Target Company for the Vendor's employees (the **"Vendor's Employees"**) on behalf of the Vendor being discontinued and the Purchaser having obtained the confirmation letter from each of the Vendor's Employees, in which such employee has stated that he/she is not legally employed by the Target Company and he/she has no dispute and will waive any rights or requests he/she may have against the Target Company;
- (19) the Target Company having settled the Intra-group Debts as disclosed in the section headed "Intra-group Debts" in this circular;
- (20) the Vendor and the Target Company having entered into a capital increase agreement in relation to the in-kind capital contribution with the Target Land and Property (for the completed Target Property Transfer (as defined in the section headed "The Target Land and Property" in this circular below) in November 2019) and the Target Company having obtained the corresponding capital verification report and valuation report on the Target Property, all of which are satisfactory to the Purchaser;
- (21) the Target Company having obtained the construction planning permit (**"Construction Planning Permit"**) and the relevant project documents for the Construction Planning Permit in relation to the construction of new property as disclosed in the paragraph headed "Negotiations between the Vendor and the Purchaser" in the section "Background of the Transaction" in this circular, and such Construction Planning Permit and the relevant project documents shall continue in effect from the date of grant;
- (22) each Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong having provided an undertaking (in the form and context which is satisfactory to the Purchaser) to the Purchaser to approve or procure their respective controlled entities to approve the Transaction contemplated thereunder by written approval pursuant to the Listing Rules or approving of the same at a general meeting of the Company if so required (the **"Undertaking"**); the above parties jointly and severally undertake to indemnify the Purchaser of RMB20 million in respect of the breach of the Undertaking;
- (23) the Demolition being completed in accordance with the terms of the Equity Transfer Agreement;
- (24) the Purchaser having obtained (one Business Day before the First Drawdown of the Entrusted Loan) a copy of registration documents issued by the competent government authority confirming that the Target Property is registered under the name of the Target Company and free of encumbrances (other than the Property Pledge);
- (25) the handover of the Target Property and the Target Company being completed in accordance with the terms of the Equity Transfer Agreement; and

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## LETTER FROM THE BOARD

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(26) the Purchaser having received a certificate issued by the Vendor, the Vendor's Guarantor and the Target Company, in the format as specified in the Equity Transfer Agreement, confirming the Conditions having been fulfilled.

The Purchaser may waive, in whole or in part, conditionally or unconditionally, the Conditions (save for Conditions set out in (3) and (4) above) by written notice to the Vendor.

In relation to condition (20) above, as requested by the Purchaser, the Vendor and the Target Company have to enter into a formal agreement in relation to the capital increase by the Vendor to the Target Company by way of in-kind contribution of the Target Land and Property (i.e. the Target Property Transfer completed and registered with the competent PRC government authority in November 2019). For avoidance of doubt, such agreement is not a prerequisite for capital contribution and/or business registration in the PRC and it is requested by the Purchaser as a documentary proof. The Vendor does not have any present and/or future capital commitments to the Target Company.

As at the Latest Practicable Date, save for Conditions (20) and (22), the above Conditions remain to be fulfilled.

### **Completion**

Completion shall take place on the Completion Date, which is within 5 Business Days after all the Conditions having been fulfilled (or waived by the Purchaser as the case may be), or such other date as may be agreed between the Purchaser and Vendor in writing.

### **Intra-group Debts**

As at the Latest Practicable Date, the Inter-group Debts owed by the Target Company to the Remaining Group amounted to approximately RMB1,593,000. Pursuant to the Equity Transfer Agreement, the settlement of the Inter-group Debts is a condition precedent to the Equity Transfer Agreement.

### **INFORMATION OF THE GROUP**

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.

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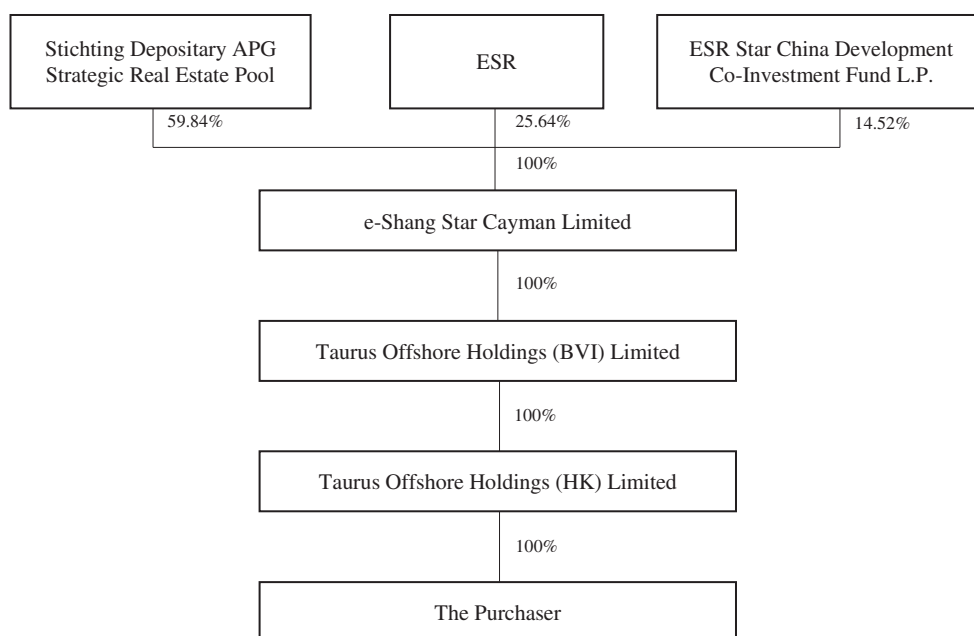
## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES AND THE TARGET LAND AND PROPERTY

#### The Purchaser

Set out below is a simplified shareholding chart of the Purchaser as at the Latest Practicable Date:



The Purchaser is an investment holding company incorporated in Hong Kong with limited liability.

Taurus Offshore Holdings (HK) Limited is an investment holding company incorporated in Hong Kong with limited liability.

Taurus Offshore Holdings (BVI) Limited is an investment holding company incorporated in the British Virgin Islands with limited liability.

e-Shang Star Cayman Limited is an investment holding company incorporated in the Cayman Islands with limited liability.

ESR is an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1821).

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## LETTER FROM THE BOARD

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According to the prospectus of ESR dated 22 October 2019, Stichting Depositary APG Strategic Real Estate Pool (“**APG-Stichting**”) is a Dutch foundation (stichting) acting in its capacity as depositary of APG Strategic Real Estate Pool, which is formed for the purpose of collective investments by its participants, all being Dutch pension funds. As confirmed by the Purchaser, Stichting Pensioenfonds ABP (“**ABP**”) has approximately 96.75% interest in APG Strategic Real Estate Pool as at 1 August 2020. ABP is the pension fund for employees in the government and education sectors in Netherlands based on the website of ABP.

ESR Star China Development Co-Investment Fund L.P. (“**ESR Fund**”) is an exempted limited partnership registered in the Cayman Islands. Based on information provided by the Purchaser, the sole limited partner of ESR Fund is Employees Provident Fund Board (“**EPF Board**”). EPF Board is the trustee of Employees Provident Fund (“**EPF**”), the provident fund established by the government of Malaysia as confirmed by the Purchaser and according to the website of EPF.

### **The Vendor’s Guarantor**

The Vendor’s Guarantor is Labixiaoxin (Fujian) Food Stuff Industry Co., Ltd. (蠟筆小新(福建)食品工業有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company.

### **The Vendor**

The Vendor is a limited liability company established under the laws of the PRC and is an indirect wholly-owned subsidiary of the Company. It was principally engaged in manufacture and sale of food and beverages products before the suspension of production in January 2019.

### **The Target Company**

The Target Company is a limited liability company established in the PRC on 29 June 2018 (the “**Incorporation Date**”) and is directly wholly-owned by the Vendor. The registered business scope of the Target Company is food manufacturing, supply chain management, logistics and property lease. Since the Incorporation Date and up to the Latest Practicable Date, the Target Company has no operation, other than holding the Target Land and Property after the Target Property Transfer (as defined below) in November 2019.

Based on the unaudited management accounts of the Target Company for the period from the Incorporation Date to 31 December 2018 (the “**2018 Period**”) and for the year ended 31 December 2019 (“**FY2019**”), the Target Company has no operation for both the 2018 Period and for FY2019. It had no income and expenses for the 2018 Period and reported net loss before and after taxation of approximately RMB21,400,000 for FY2019.

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## LETTER FROM THE BOARD

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The unaudited net assets value of the Target Company as at 31 December 2019 was approximately RMB118,000,000, which was mainly derived from the net book value of the Target Land and Property (including the land use rights) of approximately RMB119,300,000, net of accrued liabilities of approximately RMB1,300,000.

As mentioned in the sectioned headed “The Entrusted Loan” in this circular, the Vendor has pledged the entire equity interest in the Target Company to Shanghai e-Yao as at the Latest Practicable Date.

### **The Target Land and Property**

The Target Land and Property is located at 38 Kaiyuan Avenue, Wuqing Development Zone, Tianjin New Technology Industrial Park, Wuqing District, Tianjin, the PRC. The Target Property was originally held by the Vendor for the production of snack products and is currently in process of demolishment for upgrade and re-development. As disclosed in the interim report of the Company for the six months ended 30 June 2019, the Group ceased the production of the majority of the low margin products in the first half of 2019. Accordingly, the Vendor has suspended the production since January 2019 and the Target Land and Property was transferred at book cost of RMB120,295,000 to the Target Company in November 2019 by way of contribution in kind (the “**Target Property Transfer**”). Details of the description of the Target Land and Property have been disclosed in the section headed “Background of the Transaction” below in this circular.

### **BACKGROUND OF THE TRANSACTION**

#### **Location of the Target Land and Property**

The Target Land and Property is located in the Wuqing Development Zone, a national economic development zone and a national high-tech industrial park. Wuqing is the district closest to Beijing from Tianjin. According to the website of the Wuqing Development Zone, it is 71 kilometers away from downtown Beijing, 25 kilometres from downtown Tianjin, 90 kilometers from Beijing Capital International Airport, 45 kilometers from Beijing New International Airport, 35 kilometers from Tianjin Binhai International Airport, and 71 kilometers from Tianjin Port. There are 4 expressways, namely Jingjintang, Beijing- Tianjin, Beijing-Shanghai, Binbao and Jinbao and 2 railways, namely Jingshan Railway and the Beijing-Tianjin Intercity Railway running across Wuqing, making it an ideal location for being industrial and transportation hub in northern China.

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## LETTER FROM THE BOARD

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### **Set-up of the Target Company and the Target Property Transfer**

On the other hand, the rising of various technologies namely, mobile, mobile apps, online shops, online payment, community logistics has changed the consumption habit of general public dramatically. The Group needs to build a new distribution channel to cope with the ecosystem of “New Retail”, in particular online consumption. Against this background, the Group decided to set up the Target Company in June 2018 and effect the Target Property Transfer with a view to upgrade and redevelop a production and supply chain base supplemented by production which could facilitate the enhanced cooperation between the Group and the online and offline distribution channels in northern China.

### **Redevelopment of the Target Property**

The land use rights of the Target Land have been granted for a term expiring on 5 August 2056 for industrial use. The Target Property comprises an industrial complex erected on a parcel of land with a registered site area of approximately 145,755.80 sq.m. The buildings of the industrial complex originally included 14 blocks of 1 to 5-storey buildings used as canteen, office, workshop, warehouse and dormitory with a total gross floor area of approximately 69,393.70 sq.m. before the commencement of the Demolition.

Since March 2020, the Target Company has filed an application to the local PRC government and commenced the demolishment of the original building structures of the Target Property. As at the Latest Practicable Date, 10 blocks of the buildings with a total gross floor area of approximately 41,136.76 sq.m. have been demolished. The estimated cost of the Demolition is approximately RMB2,000,000. Completion of Demolition is a condition precedent to the Equity Transfer Agreement and such cost is agreed to be borne by the Vendor under the Equity Transfer Agreement.

The Target Company is going to build new properties on the Target Land with a total gross floor area of approximately 282,341.72 sq.m. mainly for production and supply chain base for “New Retail” distribution channels. The Target Company has applied for and obtained the Construction Planning Permit for the construction of the new properties.

### **Negotiations between the Vendor and the Purchaser**

The Vendor had contacted with the Purchaser regarding the possibility of cooperation/ investment in the redevelopment of the Target Property and the potential production and supply chain business as well as the possible disposal of the Target Company towards the end of 2019.

After thorough discussion with the Purchaser, taking into account the financial position of the Group and the capital investments required on the redevelopment cost of the Target Property, the Directors considered that the disposal of the Target Company is the best option of the Group and the Transaction was approved by the Board on 27 July 2020.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION

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.

As disclosed in the annual report of the Company for the year ended 31 December 2019, the Group reported consecutive losses for the last five years. In addition, the Group has a relatively low level of bank balances (excluding pledged deposits) of approximately RMB24,800,000 compared to bank borrowings of approximately RMB624,890,000 as at 31 December 2019 and its gearing ratio, defined as the ratio between sum of borrowings and shareholders' equity, was approximately 141.9%.

Various measures have been taken by the Group to improve the Group's profitability in the last two years, including consolidation of production capacity and restructuring of product mix to focus on high margin products. In addition, the Directors have been exploring business opportunities to develop new distribution channels with a view to cope with ecosystem of "New Retail", including the development of new production and new supply chain base to collaborate with the online and offline distribution channels as mentioned above in the section "Background of the Transaction" in this circular.

Having considered (i) the high gearing ratio of the Group; (ii) the uncertain outlook of the China economy, particularly the recent outbreak of COVID-19 and the rising US-China tensions; and (iii) extensive capital financing is required for the redevelopment of the Target Property before a positive return can be channeled to the Group, the Board believes that it is a good opportunity to dispose of the Target Company at the agreed price and report an estimated gain of approximately RMB109,799,356, which would also allow the Remaining Group to reduce the debt level and therefore strengthen the liquidity and overall financial position of the Remaining Group.

The Directors consider that the terms of the Transaction are fair and reasonable, the entering into the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS OF THE TRANSACTION

Upon Completion, the Company will cease to have any equity interest in the Target Company and the financial results of the Target Company will no longer be consolidated into the accounts of the Group.

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## LETTER FROM THE BOARD

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As a result of the Transaction, it is estimated that the Group will record an unaudited gain of approximately RMB109,799,356, being the difference between (i) the Estimated Consideration of RMB288,428,356; and (ii) the unaudited net assets value of the Target Company of approximately RMB118,015,000 as at 31 December 2019 and the estimated transaction costs and taxes of approximately RMB60,614,000.

Having taken into account the Estimated Consideration and the unaudited net assets value of the Target Company as at 31 May 2020, it is estimated upon Completion, the unaudited total assets of the Group will increase by approximately RMB67 million while the unaudited total liabilities of the Group will decrease by approximately RMB44 million.

Shareholders and potential investors of Company should note that the above figures are for illustrative purpose only. The actual financial impact in relation to the Transaction will be subject to audit.

The net proceeds from the Transaction, after deducting the estimated transaction costs and taxes attributable to the Transaction of approximately RMB60,614,000, are estimated to be approximately RMB227,814,356, of which approximately RMB100,000,000 will be applied to repay the borrowings (including the e-Yao Loan) of the Group, approximately RMB60,000,000 will be applied for the Group's business development in product upgrades and expanding distribution channels, and the remaining approximately RMB67,814,356 will be used for the general working capital of the Group.

### LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transaction exceeds 25% but is less than 75%, the Transaction constitutes a major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction which is different from other Shareholders, and therefore no Shareholder is required to abstain from voting for the resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder, should the same be put forward to the Shareholders to approve at a general meeting of the Company.

Mr. Zheng Yu Long and Alliance Food And Beverages (Holding) Company Limited, being Shareholders holding in aggregate 730,850,587 Shares, representing approximately 54.99% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approval on the Equity Transfer Agreement and the transactions contemplated thereunder, which will be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Alliance Food And Beverages (Holding) Company Limited, a company which is owned as to 28% by each of the three executive Directors, namely Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan, and as to 16% by the non-executive Director, Mr. Li Hung Kong, is interested in 610,915,527 Shares, representing approximately 45.97% of the issued share capital of the Company. In addition, Mr. Zheng Yu Long is beneficially interested in 119,935,060 Shares, representing approximately 9.02% of the issued share capital of the Company as at the Latest Practicable Date.

### RECOMMENDATIONS

The Board considers that the terms of the Equity Transfer Agreement are fair and reasonable and the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Equity Transfer Agreement and the transactions contemplated thereunder, if such a general meeting were to be convened by the Company, the Board would have recommended the Shareholders to vote in favour of the resolution(s) to approve the Equity Transfer Agreement and transactions contemplated thereunder.

Yours faithfully,  
By Order of the Board  
**Mr. Zheng Yu Huan**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.lbxgroup.com>):

Annual report for the year ended 31 December 2017 (pages 52 to 112):  
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN201804261525.pdf>)

Annual report for the year ended 31 December 2018 (pages 51 to 126):  
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN201904291958.pdf>)

Annual report for the year ended 31 December 2019 (pages 50 to 114):  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0527/2020052700591.pdf>)

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2020, being the latest practicable date for the purposes of preparing this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately RMB808,820,000, details of which are as follows:

	<i>Approximate RMB'000</i>
Bank borrowings, secured and guaranteed	563,812
Bank borrowings, unsecured	79,100
Loan from a director, unsecured	44,186
Loan from an independent third party, secured	41,762
Bills payable, secured	<u>79,960</u>
	<u><u>808,820</u></u>

### **Bank borrowings, secured and guaranteed**

As at 30 June 2020, the bank borrowing of HKD1,850,000 (equivalent to approximately RMB1,522,000) was secured by the land and buildings of approximately RMB6,187,000 and charged at a floating interest rate of HIBOR + 2.25% which was repricing every month.

As at 30 June 2020, the short-term secured bank borrowings of approximately RMB150,000,000 were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of the supplier of the Company. The bank borrowings were repayable within 12 months and charged at floating interest rate of 5.00% which was repricing every 12 months.

As at 30 June 2020, the short-term secured bank borrowings of approximately RMB99,890,000 were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan, directors of the Company, and the wife of Mr. Zheng Yu Shuang. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 5.66% per annum.

As at 30 June 2020, the short-term secured bank borrowings of approximately RMB97,000,000 were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang, Mr Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 5.22% per annum.

As at 30 June 2020, the short-term secured bank borrowings of approximately RMB5,400,000 were secured by corporate guarantee by the Group's PRC subsidiary. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 5.22% per annum.

As at 30 June 2020, the short-term secured bank borrowings of approximately RMB52,200,000 were secured by corporate guarantee by the Group's PRC subsidiaries and land and buildings in the PRC of approximately RMB93,604,000. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 5.16% to 5.22% per annum.

As at 30 June 2020, the short-term secured bank borrowings of approximately RMB33,000,000 were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang, Mr Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, and the supplier of the Company. The bank borrowings were repayable within 12 months and charged at floating interest rate of 5.08% which was repricing every 3 months.

As at 30 June 2020, the short-term secured bank borrowings of approximately RMB115,000,000 were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang, Mr Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, and the supplier of the Company. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 5.22% per annum.

As at 30 June 2020, short-term secured bank borrowings of RMB9,800,000 were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan, directors of the Company, and the related company. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 6.80% per annum.

**Bank borrowings, unsecured**

As at 30 June 2020, the short-term unsecured bank borrowings of RMB79,100,000 were repayable within 12 months and charged at fixed interest rates of 5.22% to 5.23% per annum.

**Loan from a director, unsecured**

As at the close of business on 30 June 2020, the Company has drawn down an aggregate amount of approximately RMB44,186,000 from a loan facility of RMB50,000,000 entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

**Loan from an independent third party, secured**

As at the close of business on 30 June 2020, the loan from an independent third party of approximately RMB41,762,000, was secured by the equity of the Target Company. The loan was repayable within 12 months and charged at fixed interest rate of 12.0% per annum.

**Bills payable, secured**

As at the close of business on 30 June 2020, bills payable amounting to approximately RMB79,960,000 were secured by pledged bank deposits of approximately RMB34,990,000.

**Capital commitments**

As at the close of business on 30 June 2020, the Group had the capital commitments contracted but not provided for under construction contracts and land premium in an aggregate amount of approximately RMB86.4 million.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or material contingent liabilities as at 30 June 2020.

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

**4. WORKING CAPITAL SUFFICIENCY**

After taking into account the financial resources available to the Group, excluding the proceeds from the Transaction, the internally generated funds and currently available facilities from its banks and a director, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of the publication of this circular, in the absence of unforeseeable circumstances.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

As disclosed in the annual report of the Company for the year ended 31 December 2019, the market demand on the Group's products remained weak and the sales of the Group's products remained at a low level in 2019 as compared to the previous years. In addition, due to the outbreak of the COVID-19 in China since late 2019, the Group's production and sales were temporarily disrupted during the first quarter of year 2020. The Directors considered that the outbreak of COVID-19 may have short-term pressure on the Group's business. However, it may also lead to an upgrade and consolidation opportunities of the food industry. As such, the Directors consider this is a good opportunity for the Group to expand its market share.

To build a solid foundation, the Group is formulating a mid-to-long term growth strategy. In year 2020, the Group has planned to expand its new retail, e-commerce, social media and society distribution channels. The Group will continue to adjust and upgrade its product portfolio, such as upgrading its pudding products and lift its sales. In addition, the Group will also launch a series of new talent management strategies, including but not limited to putting forward new performance-based incentive schemes, to attract talents.

The Group considers the Equity Transfer Agreements as a good opportunity to realise its investments in the current inactive Target Company at an opportune time, so as to better allocate its resources for and direct its focus on its business development and to reduce its debt level with the aim of improving the financial performance of the Group as a whole.

*The following is the text of a letter and property valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Target Land as at 31 May 2020.*



Unit 702, 7<sup>th</sup> Floor  
Capital Centre  
No. 151 Gloucester Road  
Wanchai, Hong Kong  
[www.peakval.com](http://www.peakval.com)  
Tel (852) 2187 2238  
Fax (852) 2187 2239

28 August 2020

The Board of Directors  
Labixiaoxin Snacks Group Limited  
7th Floor, AT Tower  
180 Electric Road  
North Point  
Hong Kong

Dear Sirs,

Re: A parcel of land located on No. 38 Kaiyuan Road, Wuqing Development Zone, Tianjin New Technology Industrial Park, Wuqing District, Tianjin, the People's Republic of China

In accordance with the instruction from Labixiaoxin Snacks Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for us to value the captioned property located in the People's Republic of China (the “**PRC**”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of the property as at 31 May 2020 (the “**Valuation Date**”) for public documentation purpose.

This letter, forming part of our valuation report, identifies the property being valued, explains the basis and methodology of our valuation and lists out the assumptions and title investigations, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which is defined to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

As per instructed by the Group, in the course of our valuation, we have only considered No. 38 Kaiyuan Road, Wuqing Development Zone, Tianjin New Technology Industrial Park, Wuqing District, Tianjin, the PRC, we have not considered the buildings and structures erected thereon.

In valuing of the property, which is held for owner occupation by the Group, we have adopted the Direct Comparison Method assuming the property with the benefit of vacant land and by making reference to comparable sale evidence as available in the relevant markets or, wherever appropriate, the Investment Method by taking into account the current rent(s) passing and the reversionary income potential of the property.

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of the property. No forced sale situation in any manner is assumed in our valuation. In addition, we have been advised by the Group that the property is not subject to any option or right of pre-emption which would concern or affect the sale of the property unless otherwise specified in this report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

We have been provided by the Group with copies of documents in relation to the title to the property located in the PRC. We have not examined the original documents to verify ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Group and the legal opinions prepared by Beijing Dentons Law Offices, LLP (Fuzhou), the Group's legal adviser on the PRC law (the "**PRC Legal Adviser**"), regarding the title to the property.

The property was previously inspected during January 2020 by Mr. Tony M. W. Cheng, a manager of our firm who has over 10 years of experience in the inspection of property in Hong Kong and the PRC. We are unable to conduct physical re-inspections of the property since our previous site visit in January 2020 due to the outbreak of Coronavirus Disease (COVID-19). In our previous inspections, we inspected the exterior and, where possible, the interior of the property. As agreed with the Group, we have conducted our valuation on desktop basis and have confirmed with the Group that there have been no material changes to the physical attributes or the surrounding environment of the property or the nature of the interest being valued. We have also made reference to recent photos of the property provided by the Group and have compared the results with the recent information about the property received from the Group and the PRC Legal Adviser of the Group. The PRC Legal Adviser of the Group has conducted site visit of the property in June 2020 and we have discussed with the PRC Legal Adviser of the Group regarding the existing status of the property and have made reference to the PRC legal opinion on the

property by the PRC Legal Adviser of the Group. We therefore considered that we have been provided with sufficient information to reach an informed view in accordance with relevant valuation standard. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the property but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached property valuation report are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Adviser regarding the title to the property, we have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site and floor areas and all other relevant materials regarding the property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld. The management of the Company has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

In valuing the property, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, The HKIS Valuation Standards 2017 issued by the Hong Kong Institute of Surveyors, the International Valuation Standards (Effective 31 January 2020) published by the International Valuation Standards Council, where applicable, and under generally accepted valuation procedures and practices.

Peak Vision Appraisals Limited has previously been involved in the valuation of the property and Mr. Nick C. L. Kung has been the signatory to the valuation since 2019. The proportion of total fees payable by the Group during the preceding year relative to the total fee income of Peak Vision Appraisals Limited is minimal. For the subject valuation, Peak Vision Appraisals Limited does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the Hong Kong Institute of Surveyors.



Our valuation has been prepared based on economic, market and other conditions as they existed on, and information made available to us as of the Valuation Date only. It has come to our attention that since the Valuation Date, the outbreak of Coronavirus Disease (COVID-19) has caused significant disruption to economic activities around the world. It is uncertain how long the disruption will last and to what extent it will affect the economy and it may cause volatility and uncertainty that the input parameters and assumptions adopted in our valuation may change significantly and unexpectedly over short period of time. It should therefore be noted that any market volatility, policy, geopolitical and social changes or other circumstances after the Valuation Date may affect the value of the property after the Valuation Date.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We hereby confirm that we have no material connection or involvement with the Group, the property or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

Our property valuation report is enclosed herewith.

Yours faithfully,  
For and on behalf of  
**Peak Vision Appraisals Limited**  
**Nick C. L. Kung**

*MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA  
Director*

*Note:* Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

## Property Valuation Report

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2020
A parcel of land located on No. 38 Kaiyuan Road, Wuqing Development Zone, Tianjin New Technology Industrial Park, Wuqing District, Tianjin, the PRC	<p>The property comprises a rectangular-shaped parcel of land (Land Lot No. 1201144010011240001) with a registered site area of approximately 145,755.80 sq.m. It is bounded by Kaiyuan Road, Quanfeng Road, Guangyuan Road and Fenghe Road within Wuqing Development Zone, Tianjin New Technology Industrial Park, Wuqing District, Tianjin.</p> <p>The land use rights of the property have been granted for a term expiring on 5 August 2056 for industrial use.</p>	As advised by the Group, as at the Valuation Date, the buildings and structures erected on the property were under demolition.	RMB74,000,000 (See Note i) below)

## Notes:

- i) As per instructed by the Group, in the course of our valuation, we have only considered No. 38 Kaiyuan Road, Wuqing Development Zone, Tianjin New Technology Industrial Park, Wuqing District, Tianjin, the PRC, we have not considered the buildings and structures erected thereon.
- ii) Pursuant to the Real Estate Title Certificate No. Jin (2019) Wu Qing Qu Bu Dong Chan Quan Di1093323 dated 4 November 2019 issued by Tianjin Planning and Natural Resources Bureau, the building ownership of 14 blocks of buildings erected on the property having a total gross floor area of approximately 69,393.70 sq.m. is vested in Tianjin Huakunda Supply Chain Management Co., Ltd. (“**Tianjin Huakunda**”), an indirect wholly-owned subsidiary of the Company and the land use rights of the property (Land Lot No. 1201144010011240001), having a site area of approximately 145,755.80 sq.m. have been granted for a term expiring on 5 August 2056 for industrial use.
- iii) Pursuant to the Construction Works Planning Permit No.2020 Wu Qian Jian Zheng Shen Zi 0020 dated 15 April 2020, approval has been granted to Tianjin Huakunda to develop Nos.1 to 4 factory buildings, Nos.5 and 6 auxiliary buildings, Nos. 1 to 3 platforms, Nos. 1 and 2 guard rooms and car parking spaces on the property with a total gross floor area of approximately 282,341.72 sq.m. (The construction work shall be carried out within one year from the date of issuance of Construction Works Planning Permit. If the construction work has not been commenced before the expiry date or extension approval has not been granted by the relevant approval department, the Construction Works Planning Permit will become invalid.)
- iv) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
  - a) The land premium for the land use rights of the property has been fully settled;

- b) The land use rights of the property is legally held by Tianjin Huakunda;
- c) The building ownership of 14 blocks of buildings erected on the property is legally held by Tianjin Huakunda; and
- d) Tianjin Huakunda has obtained a Construction Works Planning Permit, which is in compliance with the law.
- v) In our valuation, we have adopted a market unit rate of approximately RMB508 per sq.m. for the property.

In the course of our valuation of the property, we have made reference to the prevailing land sale transaction comparables of industrial use in the vicinity which had characteristics comparable to the property as at the Valuation Date. The unit rates of those sale transaction references as at the Valuation Date were about RMB426 to RMB570 per sq.m.

The unit rate adopted by us is consistent with the said land sale transaction comparables after due adjustments. Due adjustments to the unit rates have been made to reflect factors including but not limited to time, location and size of the property in arriving at our opinion of value.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

#### *Long position in the Shares, underlying shares and debentures of the Company*

Name of Director/ Chief Executive	Capacity/ Nature of interest	Number of Shares	Number of underlying shares	Aggregate interest	Approximate percentage of interest
Zheng Yu Long	Interest of a controlled corporation	610,915,527 (Note 1)	–	730,850,587	54.99%
	Beneficial owner	119,935,060 (Note 2)	–		
Zheng Yu Shuang	Interest of a controlled corporation	610,915,527 (Note 1)	–	610,915,527	45.97%
Zheng Yu Huan	Interest of a controlled corporation	610,915,527 (Note 1)	–	610,915,527	45.97%
Li Hung Kong	Interest of a controlled corporation	610,915,527 (Note 1)	–	610,915,527	45.97%

*Notes:*

1. The 610,915,527 Shares are beneficially owned by Alliance Food And Beverages (Holding) Company Limited (“**Alliance Holding**”), a company which is owned as to 28% by each of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong is deemed to be interested in the shares held by Alliance Holding for the purpose of the SFO.
2. In addition to the 610,915,527 Shares held through Alliance Holding, Mr. Zheng Yu Long is also personally and beneficially interested in 119,935,060 Shares.

***Long position in the Shares, underlying shares and debentures of the associated corporations***

Name of Director	Name of the associated corporation	Capacity/Nature of interest	Number of	Approximate
			shares held in the associated corporation	percentage of shareholding in the associated corporation
Zheng Yu Long	Alliance Holding	Beneficial owner	28	28%
Zheng Yu Shuang	Alliance Holding	Beneficial owner	28	28%
Zheng Yu Huan	Alliance Holding	Beneficial owner	28	28%
Li Hung Kong	Alliance Holding	Beneficial owner	16	16%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares**

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Beneficial owner	Security Interest	Aggregate interest (Note 1)	Approximate percentage of interest
Alliance Holding	610,915,527	–	610,915,527 (L) (Note 2)	45.97%

Notes:

- (1) The letter “L” denotes the person’s long position in such securities.
- (2) The 610,915,527 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the Shares held by Alliance Holding for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no person (other than the Directors or chief executives of the Company) had the interests or short positions in the Shares or underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

**3. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation.

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and his respective close associates had any interests in any business apart from the Group’s businesses which competed or might compete, either directly or indirectly, with the businesses of the Group.

**5. QUALIFICATION AND CONSENT OF EXPERT**

The following are the qualification of the expert who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Peak Vision	an independent property valuer

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**6. LITIGATION**

As at the Latest Practicable Date, so far as the Directors were aware of, none of the members of the Group was involved in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. MATERIAL CONTRACTS

Save for the contracts set out below, there was no contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date, which is or may be material:

- (a) the equity transfer agreement dated 15 May 2019 entered into between LBXX Fujian, an indirect wholly-owned subsidiary of the Company, as vendor and Fujian Jinjiang Ou Dian Supply Chain Management Company Limited\* (福建省晉江市歐點供應鏈管理有限公司) as purchaser (“**Ou Dian**”) (as amended and supplemented by the supplemental agreements dated 15 November 2019, 14 February 2020 and 15 May 2020), pursuant to which the LBXX Fujian has conditionally agreed to sell, and Ou Dian has conditionally agreed to acquire, the land located at Jinjiang Food Industrial Park (晉江市食品產業園) with a total site area of approximately 126,981 sq.m. together with the constructions thereon for a consideration of RMB180 million;
- (b) a loan agreement dated 31 December 2019 entered into between the Company and Mr. Zheng Yu Long, an executive Director, for an unsecured loan facility of RMB50,000,000 for a term from 1 January 2020 to 31 December 2020 (the “**Loan Facility**”). It bears interest at the rate of 2% per annum, accruing on the outstanding amount drawn under the Loan Facility; and
- (c) the Equity Transfer Agreement.

## 8. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save for the Loan Facility as disclosed in “7. Material Contracts” in this appendix, none of the Directors had any material interest, directly or indirectly, in any contract or arrangement subsisting which was significant in relation to the business of the Group as at the Latest Practicable Date.

## 9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chan Yee Lok, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.



- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in the PRC is Wuli Industrial Area, Jinjiang, Fujian, the PRC.
- (d) The place of business of the Company in Hong Kong is at 7th Floor, AT Tower, 180 Electric Road, North Point, Hong Kong.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over the respective Chinese text.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours at the Company's place of business in Hong Kong at 7th Floor, AT Tower, 180 Electric Road, North Point, Hong Kong for a period of 14 days commencing from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2018 and 2019;
- (c) the valuation report on the Target Land prepared by the Independent Valuer, the text of which is set out in Appendix II to this circular;
- (d) the written consent referred to in the paragraph headed "QUALIFICATION AND CONSENT OF EXPERT" in this appendix;
- (e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (f) this circular.