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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, 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, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer 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)

**(1) PROPOSED CAPITAL REORGANISATION AND
CHANGE IN BOARD LOT SIZE;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

Terms used in this circular (including this cover page) are defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 7 to 17 of this circular.

A notice convening the SGM to be held at 20/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong on Tuesday, 18 June 2024 at 11:00 a.m. (or in the event that a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 8:00 a.m. on that day, at Unit 2108, 21/F, Island Place Tower, 510 King’s Road, North Point, Hong Kong, on Wednesday, 19 June 2024 at 11:00 a.m.) is set out on pages 18 to 21 of this circular.

Whether or not you intend to be present and vote at the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting. The completion and return of a form of proxy will not preclude you from attending and voting at the SGM in person should you so wish. If you attend and vote at the SGM, the authority of your proxy will be revoked.

21 May 2024

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DEFINITIONS

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

“Accumulated Losses”	the accumulated losses of the Company as at the effective date of the Capital Reorganisation
“Authorised Capital Diminution”	the proposed cancellation of all of the authorised but unissued Shares with a par value of US\$0.001 each in the share capital of the Company, and the proposed diminution of the authorised share capital of the Company by such amount representing the amount of Shares so cancelled
“Authorised Capital Increase”	the proposed increase of the authorised share capital of the Company to US\$500,000 by the creation of such number of Shares with a par value of US\$0.001 each as shall represent the difference between 500,000,000 Shares with a par value of US\$0.001 each and the number of Shares with a par value of US\$0.001 each in issue after the Capital Reduction
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company as amended, supplemented or otherwise modified from time to time
“Capital Reduction”	the reduction of the issued share capital of the Company by (a) eliminating any fraction of a Consolidated Share arising from the Share Consolidation in order to round down the total number of the Consolidated Shares to a whole number, where applicable; and (b) cancelling the paid-up share capital of the Company to the extent of US\$0.499 per issued Consolidated Share such that the nominal value of each issued Consolidated Share be reduced from US\$0.5 to US\$0.001
“Capital Reorganisation”	the proposed share capital reorganisation, including the Share Consolidation, the Capital Reduction, the Sub-Division, the Authorised Capital Diminution, the Authorised Capital Increase and the Share Premium Reduction
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 1,000 Existing Shares to 2,000 New Shares
“Company”	Labixiaoxin Snacks Group Limited (蠟筆小新休閒食品集團有限公司), an exempted company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
“Consolidated Share(s)”	ordinary share(s) of US\$0.5 each in the share capital of the Company immediately after the Share Consolidation becoming effective but prior to the Capital Reduction becoming effective
“Director(s)”	the director(s) of the Company
“Existing Share(s)”	ordinary share(s) of US\$0.05 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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“Latest Practicable Date”	16 May 2024, 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 Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Capital Reorganisation
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares in the share capital of the Company into one (1) Consolidated Share
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of an amount of RMB615,656,000 standing to the credit of the Share Premium Account to zero
“Share(s)”	the Existing Share(s), the Consolidated Share(s) or the New Share(s), as the case may be
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-Division”	the proposed sub-division of each of the authorised but unissued Existing Shares of par value of US\$0.05 each immediately following the Capital Reduction into fifty (50) New Shares of par value of US\$0.001 each
“US\$”	United States dollar, the lawful currency of the United States of America

DEFINITIONS

“%”

per cent

Unless otherwise specified and for illustration purpose only, amounts in US\$ have been converted into HK\$ or RMB in this circular based on the exchange rates set out below: (i) US\$1.00 = RMB7.23; and (ii) US\$1.00 = HK\$7.80. Such conversion shall not be construed as representations that amount of such currency may be converted into HK\$ or RMB and vice versa at such rates or any other exchange rates.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Capital Reorganisation and Change in Board Lot Size is set out below. The expected timetable is subject to the results of the SGM and satisfaction of the conditions of the Capital Reorganisation and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates unless otherwise specified.

Event	Time and Date
Despatch date of circular with notice of the SGM	On or before Tuesday, 21 May 2024
Latest time for lodging transfer documents in order to qualify for attendance and voting at the SGM	4:30 p.m. on Wednesday, 12 June 2024
Closure of register of members (both days inclusive)	Thursday, 13 June 2024 to Tuesday, 18 June 2024
Latest time for lodging forms of proxy for the SGM	11:00 a.m. on Sunday, 16 June 2024
Date and time of the SGM	11:00 a.m. on Tuesday, 18 June 2024
Publication of the announcement of poll results of the SGM	Tuesday, 18 June 2024
<p style="text-align: center;">The following events are conditional on the fulfillment of the conditions for the implementation of the Capital Reorganisation as set out in this circular.</p>	
Expected effective date of the Capital Reorganisation	Thursday, 20 June 2024
First day of free exchange of existing share certificates for new share certificates for the New Shares	Thursday, 20 June 2024
Dealing in the New Shares commences	9:00 a.m. on Thursday, 20 June 2024
Original counter for trading in the Existing Shares in board lots of 1,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Thursday, 20 June 2024

EXPECTED TIMETABLE

Event	Time and Date
Temporary counter for trading in the New Shares in board lots of 100 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 20 June 2024
Original counter for trading in the New Shares in new board lots of 2,000 New Shares (in the form of new share certificates for the New Shares) re-opens	9:00 a.m. on Friday, 5 July 2024
Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) commences	9:00 a.m. on Friday, 5 July 2024
Designated broker starts to stand in the market to provide matching services for odd lots of the New Shares	9:00 a.m. on Friday, 5 July 2024
Designated broker ceases to stand in the market to provide matching services for odd lots of the New Shares	4:00 p.m. on Thursday, 25 July 2024
Temporary counter for trading in the New Shares in board lots of 100 New Shares (in the form of existing share certificates) closes	4:10 p.m. on Thursday, 25 July 2024
Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) ends	4:10 p.m. on Thursday, 25 July 2024
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Monday, 29 July 2024

LETTER FROM THE BOARD



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

Non-Executive Director:

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

Independent Non-Executive Directors:

Mr. Li Biao

Ms. Guo Li

Mr. Chung Yau Tong

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of
business in Hong Kong:*

Unit 2108, 21/F

Island Place Tower

510 King's Road

North Point

Hong Kong

21 May 2024

To the Shareholders:

Dear Sir/Madam,

**(1) PROPOSED CAPITAL REORGANISATION AND
CHANGE IN BOARD LOT SIZE;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 April 2024 in relation to, among other matters, the Capital Reorganisation and the Change in Board Lot Size. The purpose of this circular is to provide you with more information regarding the Capital Reorganisation and the Change in Board Lot Size and to give you the notice of the SGM.

LETTER FROM THE BOARD

THE CAPITAL REORGANISATION

As at the Latest Practicable Date, the authorised share capital of the Company is US\$250,000,000 divided into 5,000,000,000 Existing Shares of par value of US\$0.05 each, of which 1,328,977,000 Existing Shares have been issued and are fully paid or credited as fully paid.

The Board proposes to implement the Capital Reorganisation which comprises the following:

- (i) the Share Consolidation whereby every ten (10) issued and unissued Existing Shares of par value of US\$0.05 each will be consolidated into one (1) Consolidated Share of par value of US\$0.5 each;
- (ii) immediately following the Share Consolidation becoming effective, the Capital Reduction whereby the issued share capital of the Company will be reduced from an amount of US\$66,448,850.00 to an amount of US\$132,897.70 such that the par value of each issued Consolidated Share will be reduced from US\$0.5 to US\$0.001 by (a) an elimination of any fraction of a Consolidated Share arising from the Share Consolidation in order to round down the total number of the Consolidated Shares to a whole number, where applicable; and (b) a cancellation of US\$0.499 of the paid-up capital of the Company on each issued Consolidated Share so that each issued Consolidated Share will be treated as one (1) fully paid-up share of par value of US\$0.001 each in the share capital of the Company;
- (iii) immediately following the Capital Reduction, the Sub-Division whereby each of the then authorised but unissued Existing Shares of par value of US\$0.05 each will be sub-divided into fifty (50) New Shares of par value of US\$0.001 each;
- (iv) subject to and forthwith upon the Capital Reduction and Sub-Division taking effect, the Authorised Capital Diminution whereby all of the authorised but unissued Shares with a par value of US\$0.001 each in the share capital of the Company will be cancelled, and the authorised share capital of the Company of US\$250,000,000 will be diminished by such amount representing the amount of Shares so cancelled, and forthwith upon the Authorised Capital Diminution, the Authorised Capital Increase whereby the authorised share capital of the Company will be increased to US\$500,000 by the creation of such number of Shares with a par value of US\$0.001 each as shall represent the difference between 500,000,000 Shares with a par value of US\$0.001 each and the number of Shares with a par value of US\$0.001 in issue after the Capital Reduction;
- (v) immediately following the Capital Reduction becoming effective, the Share Premium Reduction whereby an amount of RMB615,656,000 standing to the credit of the Share Premium Account will be reduced to zero; and

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- (vi) upon the Capital Reorganisation becoming effective, the credits arising from the Capital Reduction and the Share Premium Reduction in the total amount of approximately US\$151,469,000 (equivalent to approximately RMB1,095,120,000) will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act to then be applied to set off the Accumulated Losses or be applied by the Board in a manner as permitted by the Bye-laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

Effects of the Capital Reorganisation

Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Capital Reorganisation becomes effective, the effect of the Capital Reorganisation on the share capital structure of the Company is summarised as follows:

	As at the Latest Practicable Date	Immediately after the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Premium Reduction becoming effective	Immediately after the Share Consolidation, the Capital Reduction, the Sub-Division and the Share Premium Reduction becoming effective	Immediately after the Capital Reorganisation becoming effective
Par value	US\$0.05 per Existing Share	US\$0.5 per Consolidated Share	US\$0.001 per New Share	US\$0.001 per New Share
Authorised share capital				
Amount of authorised share capital	US\$250,000,000	US\$250,000,000	US\$250,000,000	US\$500,000
Number of authorised shares	5,000,000,000 Existing Shares	500,000,000 Consolidated Shares	250,000,000,000 New Shares	500,000,000 New Shares
Issued share capital				
Amount of issued share capital	US\$66,448,850	US\$66,448,850	US\$132,897.70	US\$132,897.70
Number of issued shares	1,328,977,000 Existing Shares	132,897,700 Consolidated Shares	132,897,700 New Shares	132,897,700 New Shares
Unissued share capital				
Amount of unissued share capital	US\$183,551,150	US\$183,551,150	US\$249,867,102.30	US\$367,102.30
Number of unissued shares	3,671,023,000 Existing Shares	367,102,300 Consolidated Shares	249,867,102,300 New Shares	367,102,300 New Shares

LETTER FROM THE BOARD

Pursuant to the Capital Reduction, the issued share capital of the Company will be reduced from US\$66,448,850.00 to US\$132,897.70, and a credit in the amount of US\$66,315,952.30 (equivalent to approximately RMB479,464,000) will arise in the accounts of the Company. It is proposed that such credit will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act and be applied to set off the Accumulated Losses or be applied by the Board in a manner as permitted by the Bye-laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares, Consolidated Shares or New Shares.

Save for applying the credit arising from the Capital Reduction and the Share Premium Reduction towards offsetting the Accumulated Losses, and other than the relevant expenses, including but not limited to professional fees and printing charges to be incurred in relation to the Capital Reorganisation, the implementation of the Capital Reorganisation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional on the following conditions being fulfilled:

- (i) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganisation;
- (ii) the Listing Committee of the Stock Exchange granting the approval for listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective;
- (iii) the compliance with the relevant procedures and requirements under the Companies Act and applicable laws of Bermuda to effect the Capital Reorganisation, which includes the Directors being satisfied that on the date the Capital Reorganisation is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due;
- (iv) the compliance with the relevant procedures and requirements under the Bye-Laws, the laws of Bermuda and the Listing Rules to effect the Capital Reorganisation; and
- (v) the obtaining of all necessary approvals from or filings with the relevant regulatory authorities and/or the Bermuda Registrar of Companies, as appropriate, or otherwise as may be required in respect of the Capital Reorganisation.

LETTER FROM THE BOARD

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares upon the Capital Reorganisation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the New Shares in issue will not be listed or dealt on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Status of the New Shares

Upon the Capital Reorganisation becoming effective, the New Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid in accordance with the Company's memorandum of association and the Bye-laws.

THE CHANGE IN BOARD LOT SIZE

The Existing Shares are currently traded on the Stock Exchange in the board lots of 1,000 Existing Shares. It is proposed that, subject to and conditional upon the Capital Reorganisation becoming effective, the board lot size for trading on the Stock Exchange be changed from 1,000 Existing Shares to 2,000 New Shares.

Based on the closing price of HK\$0.118 per Existing Share (equivalent to the theoretical closing price of HK\$1.18 per New Share) as at the Latest Practicable Date, (i) the market value of each board lot of 1,000 Existing Shares is HK\$118; (ii) the market value of each board lot of 1,000 New Shares would be HK\$1,180, assuming the Capital Reorganisation had become effective; and (iii) the estimated market value of each board lot of 2,000 New Shares would be HK\$2,360 on the assumption that the Change in Board Lot Size had also become effective.

LETTER FROM THE BOARD

The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders.

OTHER ARRANGEMENTS

Exchange of certificates for New Shares

Subject to the Capital Reorganisation becoming effective, which is currently expected to be Thursday, 20 June 2024, Shareholders may on or after Thursday, 20 June 2024 and until Monday, 29 July 2024 (both days inclusive), submit their existing share certificates in yellow colour for the Existing Shares to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for exchange for new share certificates in blue colour for the New Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of new share certificates, a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the New Shares, whichever the number of certificates cancelled/issued is higher.

After 4:10 p.m. on Thursday, 25 July 2024, trading will only be in New Shares, the share certificates of which will be issued in blue colour. Existing share certificates in yellow colour for the Existing Shares will remain valid and effective as documents of title and may be exchanged for certificates for New Shares at any time, but will cease to be valid for delivery, trading and settlement purposes.

Fractional entitlement to New Shares

Fractional New Shares arising from the Capital Reorganisation, if any, will be disregarded and will not be issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold for the benefits of the Company.

The Shareholders concerned about losing out on any fractional entitlement are recommended to consult their professional advisers and may wish to consider the possibility of buying or selling the Existing Shares in a number sufficient to make up an entitlement to receive a whole number of the New Shares.

LETTER FROM THE BOARD

Arrangement on odd lot trading and matching services

In order to facilitate the trading of odd lots (if any) of the New Shares, the Company has appointed China Galaxy International Securities (Hong Kong) Co., Limited as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares, during the period from 9:00 a.m. on Friday, 5 July 2024 to 4:00 p.m. on Thursday, 25 July 2024 (both dates inclusive). Shareholders who wish to take advantage of this facility should contact Mr. Choy Ho Yin of China Galaxy International Securities (Hong Kong) Co., Limited at 20th Floor, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong or at telephone number: (852) 3698 6820 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Shareholders should note that matching of the sale and purchase of odd lots of New Shares is not guaranteed. Shareholders, who are in any doubt about the odd lot arrangement, are recommended to consult their own professional advisers.

REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guide**”) has further stated that (i) market price of the shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules, and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

Based on the closing price of the Existing Shares of HK\$0.118 on the Latest Practicable Date and the current board lot size of 1,000 Existing Shares, the board lot value of the Existing Shares is HK\$118. The Capital Reorganisation and the Change in Board Lot Size will reduce the number of new board lots and increases the value of each new board lot. After the Capital Reorganisation and the Change in Board Lot Size have become effective, and based on the closing price of the Existing Shares as at the Latest Practicable Date, the theoretical market board lot value will be HK\$2,360. As such, the Board considers that the Capital Reorganisation and Change in Board Lot Size will enable the Company to comply with the trading requirements under the Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge minimum transaction costs for each securities trade. With a corresponding

LETTER FROM THE BOARD

upward adjustment in the trading price of the New Shares, the Board believes that investment in the New Shares would become more attractive to a broader range of investors, thereby improving the liquidity of the New Shares and further broadening the Shareholder base of the Company.

As at the Latest Practicable Date, the par value per Existing Share is US\$0.05 (equivalent to approximately HK\$0.39), which is higher than the closing price of HK\$0.118 per Existing Share. Under the Companies Act, the Company may not issue Shares at a discount to the par value of such Shares. The Capital Reorganisation will reduce the par value to US\$0.001 (equivalent to approximately HK\$0.0078) per New Share, which will provide the Company with flexibility to issue new shares in the future.

Based on the Company's annual results announcement dated 28 March 2024 for the year ended 31 December 2023, the Company recorded accumulated losses of approximately RMB1,031.8 million as at 31 December 2023. The Board intends to transfer the credits arising from the Capital Reduction and the Share Premium Reduction in the total amount of approximately US\$151,469,000 (equivalent to approximately RMB1,095,120,000) to the contributed surplus account of the Company within the meaning of the Companies Act upon the Capital Reduction and the Share Premium Reduction becoming effective, which amount will then be applied in full to set off the Accumulated Losses. The Board takes the view that the offset of the Accumulated Losses will provide the Company with greater flexibility to undertake any corporate exercise which requires the use of the contributed surplus account in the future, subject to the Company's then performance and financial position.

Although the Capital Reorganisation and the Change in Board Lot Size may lead to the creation of odd lots of Shares owned by the Shareholders, the Company will designate an agent to stand in the market to provide matching services for odd lots of Shares for a period of more than three weeks, which is expected to effectively alleviate the difficulties caused by the creation of odd lots of Shares.

In light of the above, the Board is of the view that the Capital Reorganisation and the Change in Board Lot Size are beneficial to and in the interest of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation, and the Company does not have any concrete plan to conduct any fund-raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund-raising exercises when suitable fund-raising and/or investment opportunities arise in order to support, among others, working capital requirements and future development of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

LETTER FROM THE BOARD

In addition, as disclosed in the Company’s announcement dated 13 May 2024, the Company entered into a subscription agreement dated 13 May 2024 (the “**Subscription Agreement**”) with (i) Mr. Zheng Yu Huan, Mr. Zheng Yu Shuang and Mr. Zheng Yu Long who are executive Directors and Mr. Li Hung Kong who is a non-executive Director (together, the “**Relevant Directors**”), and (ii) Alliance Food and Beverages (Holding) Company Limited (“**Alliance Holding**”), a company owned as to 28% by each of Mr. Zheng Yu Huan, Mr. Zheng Yu Shuang and Mr. Zheng Yu Long and 16% by Mr. Li Hung Kong. Pursuant to the Subscription Agreement, the Company, the Relevant Directors and Alliance Holding have conditionally agreed to, among other matters, set off certain shareholder’s loan owing by the Company to Mr. Zheng Yu Long and certain director’s fees and emoluments owing by the Company to the Relevant Directors, by way of an issuance of new Shares by the Company to Mr. Zheng Yu Long and Alliance Holding (the “**Set-off**”). The Set-off is conditional upon, among others, the Capital Reorganisation becoming effective, given that the par value per Existing Share of US\$0.05 (being approximately HK\$0.39) is substantially higher than the closing price per Share on the Stock Exchange in the past six months preceding and up to the Latest Practicable Date and there is legal restriction against issuing new Shares at a discount to their par value. For further details on the Set-off, please refer to the Company’s announcement dated 13 May 2024. Notwithstanding, the Board’s decision to implement the Capital Reorganisation is independent of and unrelated to the Set-off, and the Board believes that the Set-off has no adverse impact on the Capital Reorganisation.

CONSEQUENTIAL AMENDMENT TO THE BYE-LAWS

Given that pursuant to the Capital Reorganisation, the par value of each Share will be changed from US\$0.05 to US\$0.001, the Board proposes to amend bye-law 3(1) of the Bye-laws upon the Capital Reorganisation becoming effective to reflect such change in the par value of each Share (the “**Consequential Amendment**”). The full text of the new bye-law 3(1) of the Bye-laws (marked up against the existing bye-law 3(1) of the Bye-laws to illustrate the Consequential Amendment) is set out below:

“3. (1) The share capital of the Company at the date on which these Bye-laws come into effect shall be divided into shares of US\$~~0.05~~0.001 each.”

The Consequential Amendment is subject to the approval by the Shareholders by way of a special resolution at the SGM.

Please also refer to the Company’s announcement and circular dated 28 March 2024 and 29 April 2024, respectively, in relation to other proposed amendments to the existing Bye-laws by way of the adoption of an amended and restated bye-laws of the Company (the “**Amended and Restated Bye-Laws**”), which are subject to the approval by the Shareholders by way of a special resolution at the forthcoming annual general meeting of the Company.

LETTER FROM THE BOARD

Subject to the passing of the relevant special resolutions approving the amendments to the Bye-Laws at the forthcoming annual general meeting of the Company and the SGM, a consolidated version of the new Bye-laws of the Company, being the Amended and Restated Bye-laws with the Consequential Amendment incorporated, which is not the official version of the new Bye-laws of the Company, will be published on the websites of the Stock Exchange and the Company.

THE SGM

The SGM will be convened and held at 20/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong on Tuesday, 18 June 2024 at 11:00 a.m. (or in the event that a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 8:00 a.m. on that day, at Unit 2108, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong, on Wednesday, 19 June 2024 at 11:00 a.m.) for the Shareholders to consider and, if thought fit, pass the special resolution approving the Capital Reorganisation.

The notice of the SGM is set out on pages 18 to 21 of this circular.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lbxxgroup.com).

Whether or not you intend to be present and vote at the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting. The completion and return of a form of proxy will not preclude you from attending and voting at the SGM in person should you so wish. If you attend and vote at the SGM, the authority of your proxy will be revoked.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024, both days inclusive, during which period no share transfers can be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 June 2024.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors consider that the Capital Reorganisation and the Change in Board Lot Size are in the best interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the special resolution to be proposed at the SGM.

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 herein or this circular misleading.

WARNING

Shareholders and potential investors of the Company should take note that the Capital Reorganisation is conditional upon the fulfilment of certain conditions set out in this circular and the Change in Board Lot Size is conditional upon the Capital Reorganisation becoming effective. Therefore, the Capital Reorganisation and the Change in Board Lot Size may or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

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

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Labixiaoxin Snacks Group Limited (the “**Company**”) will be held at 20/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong on Tuesday, 18 June 2024 at 11:00 a.m. (or in the event that a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 8:00 a.m. on that day, at Unit 2108, 21/F, Island Place Tower, 510 King’s Road, North Point, Hong Kong, on Wednesday, 19 June 2024 at 11:00 a.m.) for the purpose of considering and, if thought fit, passing the following resolutions as a special resolutions of the Company.

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 21 May 2024 (the “**Circular**”).

SPECIAL RESOLUTIONS

1. “**THAT** subject to and conditional upon the fulfilment of all the conditions set out in the section headed “Conditions of the Capital Reorganisation” (the “**Conditions**”) in the Circular (a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose), with effect from the second business day immediately following the date on which this resolution is passed:
 - (a) every ten (10) issued and unissued ordinary shares with a par value of US\$0.05 each in the issued and unissued share capital of the Company (the “**Existing Shares**”) be consolidated into one (1) ordinary share with a par value of US\$0.5 each (the “**Consolidated Shares**”) (the “**Share Consolidation**”);

NOTICE OF SGM

- (b) immediately following the Share Consolidation becoming effective, the issued share capital of the Company be reduced from an amount of US\$66,448,850.00 to an amount of US\$132,897.70 such that the par value of each issued Consolidated Share will be reduced from US\$0.5 to US\$0.001 by (a) an elimination of any fraction of a Consolidated Share arising from the Share Consolidation in order to round down the total number of the Consolidated Shares to a whole number, where applicable; and (b) a cancellation of US\$0.499 of the paid-up capital of the Company on each issued Consolidated Share so that each issued Consolidated Share will be treated as one (1) fully paid-up share (the “**New Shares**”) of par value of US\$0.001 each in the share capital of the Company (the “**Capital Reduction**”);
- (c) immediately following the Capital Reduction, each of the then authorised but unissued Existing Shares of par value of US\$0.05 each be sub-divided into fifty (50) New Shares of par value of US\$0.001 each (the “**Sub-Division**”);
- (d) subject to and forthwith upon the Capital Reduction and Sub-Division taking effect, all of the authorised but unissued Shares with a par value of US\$0.001 each in the share capital of the Company be cancelled, and the authorised share capital of the Company of US\$250,000,000 be diminished by such amount representing the amount of Shares so cancelled (the “**Authorised Capital Diminution**”), and forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company be increased to US\$500,000 by the creation of such number of New Shares with a par value of US\$0.001 each as shall represent the difference between 500,000,000 Shares with a par value of US\$0.001 each and the number of Shares with a par value of US\$0.001 in issue after the Capital Reduction (the “**Authorised Capital Increase**”);
- (e) immediately following the Capital Reduction becoming effective, an amount of RMB615,656,000 standing to the credit of the share premium account of the Company be reduced to zero (the “**Share Premium Reduction**”);
- (f) upon the Share Consolidation, the Capital Reduction, the Sub-Division, the Authorised Capital Diminution, the Authorised Capital Increase and the Share Premium Reduction (collectively, the “**Capital Reorganisation**”) becoming effective, the credits arising from the Capital Reduction and the Share Premium Reduction in the total amount of approximately US\$151,469,000 (equivalent to approximately RMB1,095,120,000) be transferred to the contributed surplus account of the Company within the meaning of the Companies Act to then be applied to set off the Accumulated Losses or be applied by the Board in a manner as permitted by the Bye-laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders;

NOTICE OF SGM

- (g) each of the New Shares arising from the Capital Reorganisation shall rank *pari passu* in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum of association and bye-laws of the Company;
 - (h) following the Capital Reorganisation, the directors of the Company (the “**Directors**”) be and are hereby authorised to make arrangements for the settlement and disposal of fractional entitlements, if any, arising from or in connection therewith and, in particular (but without prejudice to the generality of the foregoing), by aggregating any fractional entitlements arising as a result thereof and selling the same for the benefit of the Company in such manner and on such terms as the Directors may think fit; and
 - (i) any one of the Directors be and is hereby authorised to do all such acts and things and sign, execute and deliver all documents (including affixing the common seal of the Company if appropriate) he/she in his/her absolute discretion considers necessary, desirable or expedient to give effect to, implement and complete the Capital Reorganisation and the transactions contemplated thereunder.”
2. “**THAT** conditional upon the Capital Reorganisation becoming effective, bye-law 3(1) of the Bye-laws of the Company be and is hereby amended to the effect that the par value per share of US\$0.05 as stated therein shall be replaced by US\$0.001 as the new par value per share, and that any Director or company secretary of the Company be and is hereby authorised to do all things necessary to implement and give effect to the aforesaid amendment.”

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

Hong Kong, 21 May 2024

Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint one or, if he holds two or more Shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

NOTICE OF SGM

- (3) In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The proxy form will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lbxxgroup.com).
- (4) The register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 June 2024.
- (5) If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Tuesday, 18 June 2024, the meeting will be postponed and the meeting will be held at Unit 2108, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong, on Wednesday, 19 June 2024 at 11:00 a.m. You may call the Company at (852) 2562 6896 during business hours from 9:00 a.m. to 6:00 p.m. on Monday to Friday, excluding public holidays for details of alternative meeting arrangements. The meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force.
- You should make your own decision as to whether you would attend the meeting under bad weather conditions bearing in mind your own situation and if you should choose to do so, you are advised to exercise care and caution.
- (6) References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board comprises seven members, of which Zheng Yu Long, Zheng Yu Shuang and Zheng Yu Huan are the executive Directors, Li Hung Kong is the non-executive Director and Li Biao, Guo Li and Chung Yau Tong are the independent non-executive Directors.