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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) CONNECTED TRANSACTION ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser



Shenwan Hongyuan Capital (H.K.) Limited

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



BAOQIAO PARTNERS CAPITAL LIMITED

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 6 to 16 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 Wednesday, 26 June 2024 at 10:00 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 Thursday, 27 June 2024 at 10:00 a.m.) is set out on pages 40 to 41 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.

5 June 2024

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Alliance Holding”	Alliance Food and Beverages (Holding) Company Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“Announcement”	the announcement of the Company dated 13 May 2024 in relation to, among other matters, the Subscription
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BaoQiao Partners” or “Independent Financial Adviser”	BaoQiao Partners Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Board”	the board of Directors
“Business Day”	any day on which licensed banks are generally open for business in Hong Kong, excluding Saturday, Sunday, and public holiday and any day on which (i) a tropical cyclone warning signal number 8 or above is hoisted between 9:00 a.m. and 12:00 noon and has not been lowered by 12:00 noon, or (ii) a “black” rainstorm warning signal is in force between 9:00 a.m. and 12:00 noon, or (iii) an “extreme conditions” announcement has been made by the Hong Kong government between 9:00 a.m. and 12:00 noon and has not been cancelled by 12:00 noon
“Capital Reorganisation”	has the meaning ascribed to it in the Company’s announcement dated 15 April 2024
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“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 (stock code: 1262)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Directors’ Emoluments”	the director’s fees and emoluments payable by the Company to the Relevant Directors, accruing up to the date of the Announcement which are unsecured and interest-free
“Exchange Rate”	the agreed exchange rate of HK\$1 to RMB0.90805 as set out in the Subscription Agreement, being the central parity rate of RMB against HK\$ published by the People’s Bank of China on 30 April 2024
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Li Biao, Ms. Guo Li and Mr. Chung Yau Tong, established to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than the Subscribers, the Relevant Directors and their respective associates

DEFINITIONS

“Last Trading Day”	13 May 2024, being the last full trading day of Shares immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	30 May 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Loan Agreement”	the loan facility agreement dated 31 December 2023 between Mr. Zheng Yu Long as lender and the Company as borrower in relation to an unsecured loan facility of up to RMB70 million for a term from 1 January 2024 up to 31 December 2024 (both days inclusive)
“Long Stop Date”	31 August 2024 or such other date as the parties to the Subscription Agreement may agree in writing
“Mr. Li Hung Kong”	Mr. Li Hung Kong, a non-executive Director and the brother-in-law of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan
“Mr. Zheng Yu Huan”	Mr. Zheng Yu Huan, an executive Director and the brother of Mr. Zheng Yu Long and Mr. Zheng Yu Shuang and the brother-in-law of Mr. Li Hung Kong
“Mr. Zheng Yu Long”	Mr. Zheng Yu Long, an executive Director and the brother of Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan and the brother-in-law of Mr. Li Hung Kong
“Mr. Zheng Yu Shuang”	Mr. Zheng Yu Shuang, an executive Director and the brother of Mr. Zheng Yu Long and Mr. Zheng Yu Huan and the brother-in-law of Mr. Li Hung Kong
“New Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company upon the Capital Reorganisation becoming effective

DEFINITIONS

“Payment Amount”	an aggregate amount of approximately RMB85,420,470 (equivalent to approximately HK\$94,070,227 at the Exchange Rate), comprising the Shareholder’s Loan and the Directors’ Emoluments
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Relevant Directors”	Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	the Existing Share(s) or the New Share(s), as the case may be
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder’s Loan”	the loan facility provided to the Company by Mr. Zheng Yu Long under the Loan Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Mr. Zheng Yu Long and/or Alliance Holding
“Subscription”	the subscription for the Subscription Shares by the Subscribers pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 13 May 2024 entered into by the Company, the Subscribers and the Relevant Directors in relation to the Subscription

DEFINITIONS

“Subscription Price”	HK\$1.10 per Subscription Share
“Subscription Share(s)”	a total of 85,518,388 New Shares to be allotted and issued by the Company and subscribed by the Subscribers pursuant to the terms and conditions of the Subscription Agreement
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

Unless otherwise specified and for illustration purpose only, amounts in US\$ have been converted into HK\$ in this circular based on the exchange rate of US\$1.00 = HK\$7.80. Such conversion shall not be construed as representations that amounts of such currency may be converted into HK\$ and vice versa at such rates or any other exchange rates.

This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

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

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

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

Principal place of business in

Hong Kong:

Independent non-executive Directors:

Mr. Li Biao

Ms. Guo Li

Mr. Chung Yau Tong

Unit 2108, 21/F

Island Place Tower

510 King's Road

North Point

Hong Kong

5 June 2024

To the Shareholders:

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

On 13 May 2024, the Company entered into the Subscription Agreement with the Subscribers and the Relevant Directors pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, 85,518,388 New Shares at the price of HK\$1.10 per New Share (representing a notional price of HK\$0.110 per Existing

LETTER FROM THE BOARD

Share). The total consideration for the Subscription Shares, being HK\$94,070,226.80, will be set-off against the Payment Amount owing by the Company to the Relevant Directors (including the Shareholder's Loan owing by the Company to Mr. Zheng Yu Long under the Loan Agreement and the Directors' Emoluments owing by the Company to the Relevant Directors), and accordingly no cash proceeds will be received by the Company from the Subscription.

The purpose of this circular is to provide you with, among others, (i) details of the Subscription; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription; (iii) a letter of advice from BaoQiao Partners to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) other information as required under the Listing Rules, together with a notice convening the SGM.

THE SUBSCRIPTION AGREEMENT

Date

13 May 2024

Parties

- (i) The Company;
- (ii) Mr. Zheng Yu Long;
- (iii) Mr. Zheng Yu Shuang;
- (iv) Mr. Zheng Yu Huan;
- (v) Mr. Li Hung Kong; and
- (vi) Alliance Holding.

The Subscription

Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, a total of 85,518,388 Subscription Shares at the Subscription Price of HK\$1.10 per Subscription Share, representing a total consideration of HK\$94,070,226.80.

LETTER FROM THE BOARD

The Subscription will involve:

- (i) Mr. Zheng Yu Long as a Subscriber for 62,533,894 Subscription Shares at the total consideration of HK\$68,787,283.40, which will be payable by way of set-off against the outstanding principal amount and accrued interest under the Shareholder's Loan in the aggregate amount of approximately RMB62,462,293 (equivalent to approximately HK\$68,787,284 at the Exchange Rate); and
- (ii) Alliance Holding as a Subscriber for a total of 22,984,494 Subscription Shares at the total consideration of HK\$25,282,943.40, which will be payable by way of set-off against the Directors' Emoluments, including as to (a) the director's emoluments accrued and payable by the Company to Mr. Zheng Yu Long in the aggregate amount of RMB7,041,590 (equivalent to approximately HK\$7,754,628 at the Exchange Rate); (b) the director's emoluments accrued and payable by the Company to Mr. Zheng Yu Shuang in the aggregate amount of RMB7,055,484 (equivalent to approximately HK\$7,769,929 at the Exchange Rate); (c) the director's emoluments accrued and payable by the Company to Mr. Zheng Yu Huan in the aggregate amount of RMB6,941,329 (equivalent to approximately HK\$7,644,215 at the Exchange Rate); and (d) the director's emoluments accrued and payable by the Company to Mr. Li Hung Kong in the aggregate amount of RMB1,919,774 (equivalent to approximately HK\$2,114,172 at the Exchange Rate).

As the total consideration for the Subscription Shares will be set-off against the Payment Amount on a dollar-for-dollar basis, no cash proceeds will be received by the Company from the Subscription.

Upon completion of the Subscription, (i) the Shareholder's Loan and Directors' Emoluments shall be deemed to have been fully paid and discharged by the Company; and (ii) any interest accrued under the Shareholder's Loan from the date of the Subscription Agreement to the date of completion of the Subscription will be waived by Mr. Zheng Yu Long.

The Subscription Shares

On the basis that the existing issued share capital of the Company comprises 1,328,977,000 Existing Shares as at the Latest Practicable Date, and assuming that the issued share capital of the Company will comprise 132,897,700 New Shares upon the Capital Reorganisation becoming effective, the 85,518,388 Subscription Shares represent (i) approximately 64.35% of the existing issued share capital of the Company upon the Capital Reorganisation becoming effective; and (ii) approximately 39.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and completion of the Subscription, other than the Capital Reorganisation and the issue of the Subscription Shares.

LETTER FROM THE BOARD

The aggregate nominal value of the Subscription Shares, based on a par value of US\$0.001 per New Share subject to the Capital Reorganisation becoming effective, is US\$85,518.388 (equivalent to approximately HK\$667,043.43).

The Subscription Price

The Subscription Price of HK\$1.10 per New Share represents a notional price of HK\$0.110 per Existing Share (the “**Notional Price**”) based on the ratio for consolidation of ten (10) Existing Shares into one (1) New Share pursuant to the Capital Reorganisation.

The Notional Price represents:

- (i) a discount of approximately 5.98% to the closing price of HK\$0.117 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 5.17% to the closing price of HK\$0.116 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iii) a discount of approximately 15.77% to the average closing price of approximately HK\$0.131 per Existing Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Last Trading Day.

The Subscription Price was determined and negotiated on an arm’s length basis between the Company and the Subscribers and with reference to the market conditions and the prevailing market price of the Existing Shares.

Ranking of the Subscription Shares

The Subscription Shares will, on allotment and issue, rank *pari passu* in all respects with other New Shares then in existence free from all encumbrances, and together with all rights attaching to them as at the date of issue of the Subscription Shares, including the right to receive all dividends declared, made or paid on a record date which falls on or after the date of issue of the Subscription Shares.

Conditions to the Subscription

The Subscription is conditional upon fulfillment of the following conditions:

- (i) the passing of an ordinary resolution at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder by the Independent Shareholders by way of poll;
- (ii) the listing committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Subscription Shares on the Stock Exchange;

LETTER FROM THE BOARD

- (iii) the Capital Reorganisation having become effective; and
- (iv) the Subscribers and persons acting in concert with them not triggering any obligation to make a mandatory general offer for the relevant securities of the Company under Rule 26 of the Takeovers Code as a result of the Subscription.

None of the parties to the Subscription Agreement may waive any of the conditions (i), (ii), (iii) or (iv) above. In respect of condition (iv) above, the Company has been informed that Mr. Zheng Yu Long has applied to the Executive for, and the Executive has granted to him, a waiver from the obligation to make a general offer for the shares of the Company pursuant to Note 6(b) to Rule 26.1 of the Takeovers Code arising as a result of the completion of the Subscription. In this regard, condition (iv) above is regarded as fulfilled. As at the Latest Practicable Date, conditions (i), (ii) and (iii) above have not yet been fulfilled.

In the event that any of the above conditions have not been fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse automatically.

Completion of the Subscription

Completion of the Subscription shall take place on the fifth Business Day from and excluding the day on which the above conditions have been fulfilled, or such other date as the parties to the Subscription Agreement may agree in writing.

Mandate to issue the Subscription Shares

The issue of the Subscription Shares will be made pursuant to the specific mandate to be sought from the Independent Shareholders at the SGM.

Application for listing

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Capital Reorganisation becoming effective (assuming the issued share capital of the Company will comprise 132,897,700 New Shares upon the Capital Reorganisation becoming effective); and (iii) immediately upon completion of the Subscription (assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and completion of the Subscription, other than the Capital Reorganisation and the issue of the Subscription Shares) is set out below:

	As at the Latest Practicable Date		Immediately upon the Capital Reorganisation becoming effective		Immediately upon completion of the Subscription	
	<i>Number of Existing Shares</i>	<i>Approx. %</i>	<i>Number of New Shares</i>	<i>Approx. %</i>	<i>Number of New Shares</i>	<i>Approx. %</i>
The Subscribers						
– Alliance Holding (<i>Note 1</i>)	610,915,527	45.97	61,091,552	45.97	84,076,046	38.49
– Mr. Zheng Yu Long	<u>119,935,060</u>	<u>9.02</u>	<u>11,993,506</u>	<u>9.02</u>	<u>74,527,400</u>	<u>34.12</u>
Sub-total of the Subscribers	<u>730,850,587</u>	<u>54.99</u>	<u>73,085,058</u>	<u>54.99</u>	<u>158,603,446</u>	<u>72.62</u>
Public Shareholders	<u>598,126,413</u>	<u>45.01</u>	<u>59,812,642</u>	<u>45.01</u>	<u>59,812,642</u>	<u>27.38</u>
Total	<u>1,328,977,000</u>	<u>100.00</u>	<u>132,897,700</u>	<u>100.00</u>	<u>218,416,088</u>	<u>100.00</u>

Notes:

- Alliance Holding is owned as to 28% by each of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan and as to 16% by Mr. Li Hung Kong.
- The percentage figures shown in the table above are rounded to two decimal places.

REASONS AND BENEFITS FOR THE SUBSCRIPTION

The Group is principally engaged in manufacturing and sales of jelly products, confectionary products, beverages products and other snacks products in the PRC.

LETTER FROM THE BOARD

As disclosed in the annual report (the “**2023 Annual Report**”) of the Company for the year ended 31 December 2023 (“**FY2023**”), the Group’s sales was positively affected by the gradual recovery of the consumer sentiment in the PRC from the hit by the Coronavirus Disease 2019 (“**COVID-19**”) outbreak and the Group’s immense efforts in expanding its new sales channels (“**New Sales Channels**”) e.g. sales through major snacks convenience stores chains in the PRC paid off. The Group recorded sales revenue of approximately RMB764.4 million for FY2023, representing an increase of approximately 11.7% as compared with the year ended 31 December 2022 (“**FY2022**”).

Nevertheless, the distributors of Group were generally bruised by COVID-19 control measures in FY2022, some of which suffered from great financial difficulties and hence the Group encountered slow settlements from or default by these distributors during FY2022 and FY2023. As a result, an allowance for expected credit losses of the Group of approximately RMB47.5 million and RMB78.9 million were recorded in FY2022 and FY2023, respectively.

As at 31 December 2023, the Group had net current liabilities of approximately RMB94.4 million and gearing ratio (i.e. the sum of total borrowings, lease liabilities and loan from a director divided by total equity) is approximately 202.8%. As at the Latest Practicable Date, the Payment Amount was approximately RMB85.42 million. In light of the current financial position of the Group, it is difficult for the Company to repay the Payment Amount without further financing activities. Hence, the Subscription represents a good opportunity to improve the net current liability position and lower the gearing ratio of the Group while preserving the cash reserve of the Group.

The Board has considered various fund-raising methods apart from the Subscription. With regard to debt financing, the Board considers that given the current gearing ratio of the Group of approximately 202.8%, it is not beneficial to the Group to further increase its debt level with additional finance costs. With regard to equity financing methods, given the latest financial results of the Group, the low liquidity of the Shares and the current market capitalisation of the Company, the Directors consider that it is not feasible to identify any placing agents or rights issue or open offer subscribers to raise sufficient funds to repay the Payment Amount without a substantial discount on the market price per Share. Further, the Directors consider that the placing, rights issue, or open offer would incur costly placing or underwriting commission and the process would be relatively time-consuming.

The Board (including the members of the Independent Board Committee whose view is set forth in “Letter from the Independent Board Committee” of this circular after having been advised by BaoQiao Partners in this regard) consider the terms of the Subscription Agreement to be normal commercial terms and the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Each of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan (being executive Directors) and Mr. Li Hung Kong (being a non-executive Director) has abstained from voting on (and has not been counted in the quorum for) the relevant Board resolutions for approving the Subscription Agreement and the transactions contemplated thereunder by virtue of their interests in the Subscription. Save as disclosed above, none of the other Directors is regarded as having a material interest in, and therefore none of them is required to abstain from voting on, the relevant Board resolutions for approving the Subscription Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES INVOLVED

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.

Alliance Holding is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Alliance Holding is owned as to 28% by each of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan who are executive Directors and as to 16% by Mr. Li Hung Kong who is a non-executive Director.

Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan are brothers and Mr. Li Hung Kong is their brother-in-law.

LISTING RULES IMPLICATIONS

Each of the Subscribers and the Relevant Directors is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Biao, Ms. Guo Li and Mr. Chung Yau Tong, has been established to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder. BaoQiao Partners Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE BOARD

Alliance Holding, Mr. Zheng Yu Long and their respective associates (holding in aggregate 730,850,587 Existing Shares, representing approximately 54.99% of the issued share capital of the Company as at the Latest Practicable Date) will abstain from voting in respect of the relevant resolution(s) to approve the Subscription Agreement and the transactions thereunder at the SGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Subscription Agreement and the transactions thereunder at the SGM.

The Subscription will result in a theoretical dilution effect of approximately 6.2%, which is below the 25% threshold as specified under Rule 7.27B of the Listing Rules. Therefore, the theoretical dilution impact of the Subscription is in compliance with Rule 7.27B of the Listing Rules.

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 Wednesday, 26 June 2024 at 10:00 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 Thursday, 27 June 2024 at 10:00 a.m.) for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution approving the Subscription Agreement and the transactions contemplated thereunder.

The notice of the SGM is set out on pages 40 to 41 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.

LETTER FROM THE BOARD

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 Friday, 21 June 2024 to Wednesday, 26 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 Thursday, 20 June 2024.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM regarding the Subscription. The Independent Board Committee comprised all the independent non-executive Directors, namely Mr. Li Biao, Ms. Guo Li and Mr. Chung Yau Tong, who have not been involved or interested in, directly or indirectly, the Subscription.

Your attention is also drawn to the letter from BaoQiao Partners set out on pages 19 to 35 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription, and the principal factors and reasons taken into consideration in arriving at its advice.

Your attention is also drawn to the Appendix to this circular.

The Directors (including the members of the Independent Board Committee whose opinion have been set forth in the "Letter from the Independent Board Committee" of this circular after having been advised by BaoQiao Partners in this regard) consider that the terms of the Subscription are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose opinion have been set forth in the "Letter from the Independent Board Committee" of this circular after having been advised by BaoQiao Partners in this regard) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription. You are advised to read the letter from the Independent Board Committee and the letter from BaoQiao Partners mentioned above before deciding how to vote on the resolution to be proposed at the SGM.

LETTER FROM THE BOARD

WARNING

As the Subscription is subject to the fulfillment of the conditions set out in the Subscription Agreement and may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and should consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position or as to actions they should take.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee, prepared for the purpose of inclusion in this circular from the Independent Board Committee to the Independent Shareholders regarding the Subscription.



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)

5 June 2024

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED TRANSACTION **ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular dated 5 June 2024 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the SGM, after taking into account the recommendations of the Independent Financial Adviser.

BaoQiao Partners has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 19 to 35 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 16 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information as set out in the letter from the Board, the terms of the Subscription Agreement and the transactions contemplated thereunder, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we are of the view that, notwithstanding that the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Subscription Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully

For and on behalf of the Independent Board Committee of
Labixiaoxin Snacks Group Limited

Mr. Li Biao

*Independent non-executive
Director*

Ms. Guo Li

*Independent non-executive
Director*

Mr. Chung Yau Tong

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Circular.



BAOQIAO PARTNERS CAPITAL LIMITED

Unit 2803-2805, 28/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

5 June 2024

*To the Independent Board Committee and the Independent Shareholders of
Labixiaoxin Snacks Group Limited*

Dear Sir or Madam,

CONNECTED TRANSACTION ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 5 June 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 13 May 2024 (the “**Announcement**”) in relation to, among others, the Subscription.

On 13 May 2024, the Company, the Subscribers and the Relevant Directors entered into the Subscription Agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, a total of 85,518,388 New Shares at the price of HK\$1.10 per New Share (representing a notional price of HK\$0.110 per Existing Share). The total consideration for the Subscription Shares, being HK\$94,070,226.80, will be set-off against the Payment Amount owing by the Company to the Relevant Directors (including the Shareholder’s Loan owing by the Company to Mr. Zheng Yu Long (“**Mr. YL Zheng**”) under the Loan Agreement and the Directors’ Emoluments owing by the Company to the Relevant Directors), and accordingly no cash proceeds will be received by the Company from the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Each of the Subscribers and the Relevant Directors is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As disclosed in the Letter from the Board, Alliance Holding, Mr. YL Zheng and their respective associates (holding in aggregate 730,850,587 Existing Shares, representing approximately 54.99% of the issued share capital of the Company as at the Latest Practicable Date) will abstain from voting in respect of the relevant resolution(s) to approve the Subscription Agreement and the transactions thereunder at the SGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Subscription Agreement and the transactions thereunder at the SGM.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Biao, Ms. Guo Li and Mr. Chung Yau Tong has been established to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder. We, BaoQiao Partners Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Group, the Subscribers, the Relevant Directors and their respective associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Announcement, the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have reviewed, among others, the Subscription Agreement, the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”), certain corporate and financial information of the Group, and the information set out in the Announcement and the Circular. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and representations made by the Management in the Circular and/or discussed with/provided to us were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Management, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs and/or the financial condition and/or future prospects of the Group, the Subscribers, the Relevant Directors and their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Subscription Agreement and the transactions contemplated thereunder, and this letter, except for its inclusion in the Circular and for inspection as required under the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, we have taken into consideration the following factors and reasons:

1. Background Information of the Group

The Company is incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in manufacturing and sales of jelly products, confectionary products, beverages products and other snacks products in the PRC.

2. Financial Information of the Group

Set out below is a summary of the audited financial information of the Group for the years ended 31 December 2023 (“FY2023”) and 31 December 2022 (“FY2022”) as extracted from the 2023 Annual Report:

	FY2023	FY2022
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	764,377	684,263
Gross profit	218,940	244,192
<i>Gross margin</i>	<i>28.6%</i>	<i>35.7%</i>
Loss for the year	(104,754)	(75,328)

	As at 31 December	
	2023	2022
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	810,907	977,311
Total liabilities	588,349	649,999
Net current liabilities	(94,369)	(9,503)
Net assets	222,558	327,312

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance of the Group

Revenue for FY2023 increased by approximately 11.7% to approximately RMB764.4 million from approximately RMB684.2 million for FY2022, due mainly to the post Coronavirus Disease 2019 (“COVID-19”) recovery of consumer sentiments in the PRC and the expansion of new sales channels, e.g. sales through major snacks convenience stores chains, which boosted the sales of the Group during FY2023. In addition, in FY2023, the Group had gone through a rigorous assessment of the sales performance and financial health of its distributors with a view to optimise its distribution network to improve sales network performance of its products and reduce the Group’s credit risk exposure from those underperformed.

Despite the increase in revenue for FY2023, the Group reported an increase in net loss from approximately RMB75.3 million for FY2022 to approximately RMB104.8 million for FY2023. As disclosed in the 2023 Annual Report and as advised by the Management, the increase in net loss for FY2023 was mainly attributable to (i) the decrease in overall gross profit margin from approximately 35.7% for FY2022 to approximately 28.6% for FY2023, due primarily to the increasing sales through snacks convenience stores chains with generally lower profit margin than sales through distributors; and (ii) the increase in allowance for expected credit losses of approximately RMB31.4 million, from RMB47.5 million for FY2022 to approximately RMB78.9 million for FY2023 as a result of an upsurge of overdue receivables from or default payment by the Group’s sales distributors, who have yet recovered from the financial distress caused by the COVID-19 pandemic.

Financial position of the Group

As at 31 December 2023, the Group’s total asset amounted to approximately RMB810.9 million, which comprised mainly property, plant and equipment of approximately RMB238.0 million, right-of-use assets of approximately RMB86.8 million, trade receivables of approximately RMB238.7 million, prepayment and other receivables of approximately RMB134.5 million and cash and cash equivalents of approximately RMB44.3 million. The Group’s total liabilities amounted to approximately RMB588.3 million, which mainly included bank borrowings of approximately RMB405.2 million and trade and other payables of approximately RMB167.3 million.

There was deterioration in the financial position of the Group with net assets decreased from approximately RMB327.3 million as at 31 December 2022 to approximately RMB222.6 million as at 31 December 2023 and the net current liabilities increased from approximately RMB9.5 million as at 31 December 2022 to approximately RMB94.4 million as at 31 December 2023, due mainly to the increasing loss for FY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Information on the Subscribers and the Relevant Directors

The Relevant Directors include (i) Mr. YL Zheng, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan (collectively known as “**Zheng Brothers**”), whom are brothers and executive Directors; and (ii) Mr. Li Hung Kong (“**Mr. HK Li**”), the brother-in-law of Zheng Brothers and the non-executive Director.

The Subscribers include Mr. YL Zheng and Alliance Holding, an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, Alliance Holding is owned as to 28% by each of Zheng Brothers and as to 16% by Mr. HK Li.

4. Information about the Payment Amount

The Payment Amount of approximately RMB85,420,470 (equivalent to approximately HK\$94,070,227 at the Exchange Rate) represents an aggregate of (i) the outstanding principal and accrued interest in aggregate of approximately RMB62,462,293 (equivalent to approximately HK\$68,787,284 at the Exchange Rate) under the Shareholder’s Loan (i.e. an unsecured loan facility granted by Mr. YL Zheng to the Company of up to RMB70 million for a term from 1 January 2024 up to 31 December 2024 (both days inclusive) and carries a fixed interest of 2% per annum); and (ii) the Directors’ Emoluments of RMB22,958,177 (equivalent to approximately HK\$25,282,943 at the Exchange Rate), which represent (a) the director’s emoluments accrued and payable by the Company to Mr. YL Zheng in the aggregate amount of RMB7,041,590 (equivalent to approximately HK\$7,754,628 at the Exchange Rate); (b) the director’s emoluments accrued and payable by the Company to Mr. Zheng Yu Shuang in the aggregate amount of RMB7,055,484 (equivalent to approximately HK\$7,769,929 at the Exchange Rate); (c) the director’s emoluments accrued and payable by the Company to Mr. Zheng Yu Huan in the aggregate amount of RMB6,941,329 (equivalent to approximately HK\$7,644,215 at the Exchange Rate); and (d) the director’s emoluments accrued and payable by the Company to Mr. HK Li in the aggregate amount of RMB1,919,774 (equivalent to approximately HK\$2,114,172 at the Exchange Rate).

As advised by the Management, the Shareholder’s Loan was applied for the Company’s working capital in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Reasons for and benefits of the Subscription

As disclosed in the 2023 Annual Report and as discussed in the paragraph headed “2. Financial Information of the Group” in this letter, the Group recorded net losses for the last five financial years ended 31 December 2023 and in spite of the increase in the Group’s sales for FY2023 as a result of expanding new sales channels, the Group recorded a decrease in gross profit margin and increase in net loss to approximately RMB104.8 million for FY2023. In addition, the Group had net current liabilities of approximately RMB94.4 million and gearing ratio (i.e. the sum of total borrowings, lease liabilities and loan from a director divided by total equity) of approximately 202.8% as at 31 December 2023. Moreover, the Group’s principal activities are conducted in the PRC and its earnings are denominated in RMB and the remittance of RMB from PRC to Hong Kong is subject to foreign exchange control.

In light of the above and taking into account the size of the Payment Amount (i.e. approximately RMB85.4 million), we consider that the offshore Payment Amount is unlikely to be settled in the absence of the Subscription or other financing activities.

As stated in the Letter from the Board, the total consideration of the Subscription Shares under the Subscription Agreement will be satisfied by setting off the Payment Amount, there will be no cash proceeds from the Subscription. As discussed with the Management, the Company is of the view that the Subscription will allow the Company to settle the Payment Amount without utilising existing financial resources of the Group while reducing the debt level of the Group and hence strengthen the financial position of the Group.

Based on the above and our discussion with the Management, we concur with the Directors’ view that the Subscription represents a good opportunity to improve the net current liability position and lower the gearing ratio of the Group while preserving the cash reserve of the Group and without incurring any interest expenses to the Group.

Alternative fund-raising methods considered

The Directors have considered other alternative means for raising fund apart from the Subscription, such as debt financings and other equity financing methods, such as share placement, rights issue or open offer. Based on our discussion with the Management and as disclosed in the Letter from the Board, given the high gearing ratio of the Group and having considered that additional debt financings would increase its debt level with additional finance costs and may require pledge of assets of the Group, the Directors considered that debt financings might not be an appropriate alternative to settle the Payment Amount.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition to debt financings, the Board has also considered other means of equity financing such as share placement, rights issue or open offer. Given the consecutive losses position of the Group and the thin trading volume of the Shares as analysed in the paragraphs headed “2. Financial Information of the Group” and “Historical trading volume and liquidity” in this letter respectively, the Directors considered that and we also note from the discussions between the Company’s representative(s) and a few independent brokerage firms in seeking equity financings in the market, that the Company might find it difficult to identify (i) third-party investor(s) who/which is/are willing to subscribe the Shares; or (ii) underwriter(s) who/which is/are interested to underwrite a rights issue or open offer with comparable fundraising size.

Also, a share placement, rights issue or open offer might result in less favourable terms to the Company than the Subscription that such placing/underwriting commissions would likely exceed the cost under the Subscription without taking into account of further necessary professional fees.

Having considered that (i) the Subscription would allow the Company to lower the Group’s its gearing level; (ii) other equity financings are relatively less cost effective as compared to the Subscription and the negative responses received by the Company from the independent brokerage firms in respect of the Company’s attempts to seek equity financings in the market; and (iii) additional debt financings would increase the Group’s debt level with additional finance costs and was not preferable option to the Company in light of the current financial position of the Group as discussed in paragraph headed “2. Financial Information of the Group” in this letter, we concur with the Directors’ view that the Subscription is the more desirable solution for the Group to settle the Payment Amount in order to improve the Group’s financial position and therefore being in the interests of the Company and the Independent Shareholders as a whole.

6. The Subscription Agreement

On 13 May 2024, the Company, as issuer, Mr. YL Zheng and Alliance Holding, as Subscribers, Zheng Brothers and Mr. HK Li, as the Relevant Directors entered into the Subscription Agreement pursuant to which, the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, a total of 85,518,388 Subscription Shares at the Subscription Price of HK\$1.10 per Subscription Share, representing a total consideration of HK\$94,070,226.80. The Subscription will involve:

- (i) Mr. YL Zheng as a Subscriber for 62,533,894 Subscription Shares at the total consideration of HK\$68,787,283.40, which will be payable by way of set-off against the outstanding principal amount and accrued interest under the Shareholder’s Loan in the aggregate amount of approximately RMB62,462,293 (equivalent to approximately HK\$68,787,284 at the Exchange Rate);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Alliance Holding as a Subscriber for a total of 22,984,494 Subscription Shares at the total consideration of HK\$25,282,943.40, which will be payable by way of set-off against the Directors' Emoluments, including as to (a) the director's emoluments accrued and payable by the Company to Mr. YL Zheng in the aggregate amount of RMB7,041,590 (equivalent to approximately HK\$7,754,628 at the Exchange Rate); (b) the director's emoluments accrued and payable by the Company to Mr. Zheng Yu Shuang in the aggregate amount of RMB7,055,484 (equivalent to approximately HK\$7,769,929 at the Exchange Rate); (c) the director's emoluments accrued and payable by the Company to Mr. Zheng Yu Huan in the aggregate amount of RMB6,941,329 (equivalent to approximately HK\$7,644,215 at the Exchange Rate); and (d) the director's emoluments accrued and payable by the Company to Mr. HK Li in the aggregate amount of RMB1,919,774 (equivalent to approximately HK\$2,114,172 at the Exchange Rate).

Please refer to the "Letter from the Board" set out in the Circular for further details of the Subscription Agreement and the full list of condition precedents to the Subscription Agreement.

As the total consideration for the Subscription Shares will be set-off against the Payment Amount on a dollar-for-dollar basis, no cash proceeds will be received by the Company from the Subscription.

Upon Completion, (i) the Shareholder's Loan and Directors' Emoluments shall be deemed to have been fully paid and discharged by the Company; and (ii) any interest accrued under the Shareholder's Loan from the date of the Subscription Agreement to the date of completion of the Subscription will be waived by Mr. YL Zheng.

The Subscription Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM and the Subscription Shares when allotted and issued, shall rank *pari passu* in all respects with the New Shares in issue on the date of their allotment and issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Subscription Shares and Subscription Price

Subscription Shares

On the basis that the existing issued share capital of the Company comprises 1,328,977,000 Existing Shares as at the Latest Practicable Date, and assuming that the issued share capital of the Company will comprise 132,897,700 New Shares upon the Capital Reorganisation becoming effective, the Subscription Shares represent (i) approximately 64.35% of the existing issued share capital of the Company upon the Capital Reorganisation becoming effective; and (ii) approximately 39.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and completion of the Subscription, other than the Capital Reorganisation and the issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$1.10 per New Share represents a notional price of HK\$0.110 per Existing Share (the “**Notional Price**”) based on the ratio for consolidation of ten (10) Existing Shares into one (1) New Share pursuant to the Capital Reorganisation.

The Notional Price represents:

- (i) a discount of approximately 5.98% to the closing price of HK\$0.117 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 5.17% to the closing price of HK\$0.116 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 15.77% to the average closing price of HK\$0.131 per Existing Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Last Trading Day; and
- (iv) a discount of approximately 21.03% to the average closing price of HK\$0.139 per Existing Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Last Trading Day.

As stated in the Letter from the Board, the Subscription Price was determined and negotiated on an arm’s length basis between the Company and the Subscribers and with reference to the market conditions and the prevailing market price of the Existing Shares.

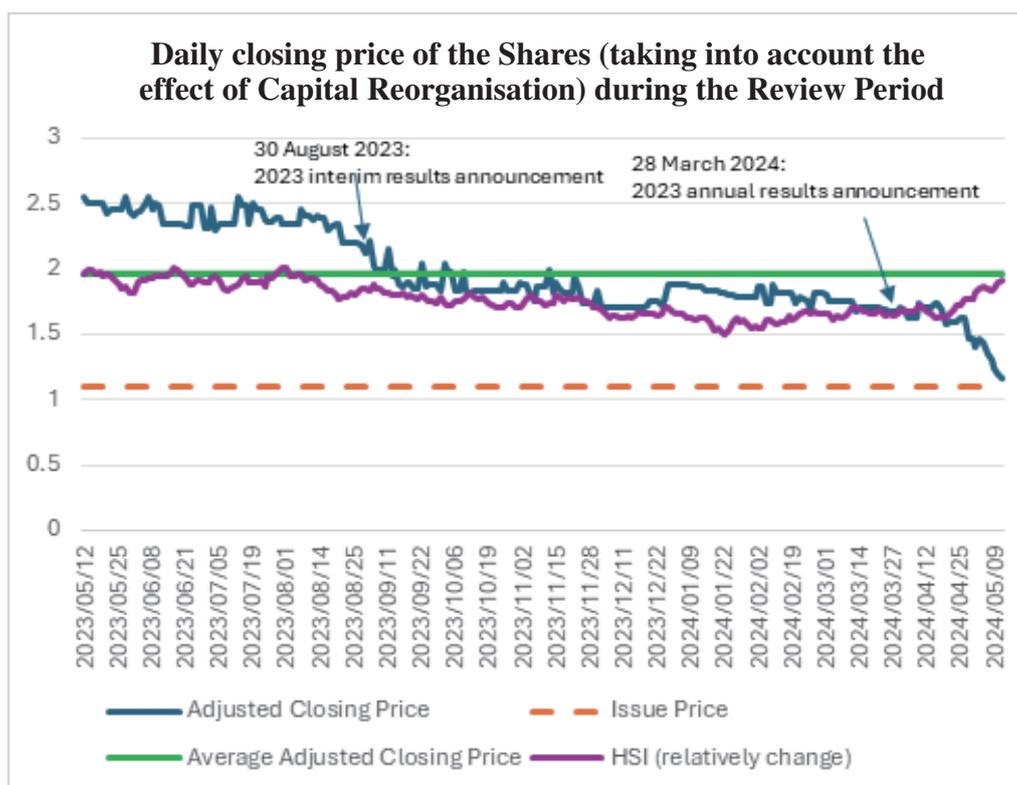
We set out the following analysis for illustrative purposes with a view to assess the fairness and reasonableness of the Subscription Price with reference to (i) the historical price performance; (ii) historical trading volume and liquidity; and (iii) the market comparables analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical price performance

In order to assess the fairness and reasonableness of the Subscription Price (being HK\$1.10 per New Share), we have reviewed the movements of the theoretical adjusted closing price of 10 Shares (taking into account the effect of the Capital Reorganisation) in aggregate, calculated by aggregating the relevant closing price of 10 Shares (the “**Adjusted Closing Price**”) during the 12-month period from 12 May 2023, up to and including 13 May 2024, the Last Trading Day (the “**Review Period**”), which is commonly adopted timeframe for similar share price analysis in the market and is considered to be adequately lengthy to illustrate the recent trend of the closing prices of the Shares for our analysis on the Subscription Price, the closing prices of the Shares and its trading volume for the purpose of assessing the fairness and reasonableness of the Subscription Price.

Chart 1: Historical price analysis



Source: The Stock Exchange

As illustrated in the above chart, the Adjusted Closing Price has been on a decreasing trend in general during the Review Period with the highest and lowest Adjusted Closing Price per New Share of HK\$2.55 (equivalent to HK\$0.255 per Existing Share) on 12 May 2023, 30 May 2023, 7 June 2023 and HK\$1.16 (equivalent to HK\$0.116 per Existing Share) on 13 May 2024, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the daily Adjusted Closing Price remained fairly stable, ranging between HK\$2.30 (equivalent to HK\$0.23 per Existing Share) to HK\$2.55 (equivalent to HK\$0.255 per Existing Share) from the beginning until 21 August 2023. Since then and subsequent to the publication of the interim results announcement of the Company for the six months ended 30 June 2023 on 30 August 2023 and up to the end of the Review Period, the daily Adjusted Closing Price started to decline and demonstrate a general downward trend and reached the bottom of HK\$1.16 (equivalent to HK\$0.116 per Existing Share) on 13 May 2024. The Average Adjusted Closing Price during the Review Period was approximately HK\$1.97 (equivalent to HK\$0.197 per Existing Share).

It is noted that the Subscription Price was determined with reference to the prevailing market prices of the Shares, which is lower than the Average Adjusted Closing Price during the Review Period, nonetheless, taking into account (i) the thin trading liquidity (as set out in the paragraph headed “Historical trading volume and liquidity” below) and the declining trend of the Share price of the Company during the Review Period; (ii) the current gearing and financial position of the Group as set out in the paragraph headed “2. Financial information of the Group” above in this letter; (iii) the reasons for and benefits of the Subscription as set out in the paragraph headed “5. Reasons for and benefits of the Subscription” above in this letter; (iv) the terms of the Subscription Agreement are fair and reasonable based on our assessments with comparable analyses detailed in section headed “Market comparables analysis” below; and (v) Zheng Brothers and Mr. HK Li, which in our view demonstrate their confidence as Directors and controlling Shareholders (via their holdings in Alliance Holdings) towards the Company and their support for the Company’s business development with an aim to improve the financial position of the Company, we are of the view it is fair and reasonable to determine the Subscription Price with reference to the prevailing market prices of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical trading volume and liquidity

Table 2: Trading liquidity analysis

	Number of trading days in the month/period	Average daily number of Shares traded per trading days in the month/period	Approximate % of average daily trading volume to the total number of issued Shares	Approximate % of average daily trading volume to the total number of issued Shares held by public shareholders
2023				
May (from 12 May 2023)	13	90,769	0.0068%	0.0152%
June	21	100,143	0.0075%	0.0167%
July	20	69,750	0.0052%	0.0117%
August	23	80,478	0.0061%	0.0135%
September	19	169,368	0.0127%	0.0283%
October	20	42,850	0.0032%	0.0072%
November	22	155,818	0.0117%	0.0261%
December	19	65,842	0.0050%	0.0110%
2024				
January	22	8,500	0.0006%	0.0014%
February	19	112,263	0.0084%	0.0188%
March	20	7,000	0.0005%	0.0012%
April	20	165,300	0.0124%	0.0276%
May (up and including the Last Trading Day)	8	472,750	0.0356%	0.0790%
Minimum	8	7,000	0.0005%	0.0012%
Maximum	23	472,750	0.0356%	0.0790%
Average	19	118,526	0.0089%	0.0198%

Source: The Stock Exchange

Notes:

1. The Review Period commenced on 12 May 2023 and ended on 13 May 2024.
2. Based on the total number of issued Shares as at end of the period/month.

Regarding the liquidity of the Shares, as shown in the table above, the average daily trading volume for the respective month or period during the Review Period ranged from approximately 7,000 Shares in March 2024 to approximately 472,750 Shares in May 2024, representing approximately 0.0005% to 0.0356% of the total number of the Shares in issue and approximately 0.0012% to 0.0790% of the total number of the Shares held by the public, as at the end of the relevant month respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that the trading liquidity of the Shares were very thin during the Review Period, with the average daily trading volume of all months/periods being less than 0.01% to the total number of issued Shares as at the end of their respective month/period. The limited trading liquidity and low trading volume pose significant hurdles for the Company to pursue alternative financing options such as placing of new Shares with independent investors, rights issues, and open offers without providing considerable incentives, including a substantial placing/underwriting fees and/or discount on the issue price relative to the prevailing market price of the Shares. As such, we concur with the Directors' view that the Subscription is a more attractive method for financing the settlement of the Payment Amount and therefore is in the interests of the Company and the Independent Shareholders as a whole.

Market comparables analysis

To further assess the fairness and reasonableness of the Subscription, we have selected and identified a list of comparable transactions based on the following criteria: (i) companies listed on the Stock Exchange and the Shares of which have not been suspended for three months or more (i.e. prolonged suspension) as at the date of the Subscription Agreement; and (ii) companies that had published announcements in relation to subscription of new shares by connected persons under specific mandate (excluding issues under share award or restructuring scheme) with the proceeds (fully or partially) used for loan/debt capitalisation (the “**Comparables**”) during the period from 12 May 2023, up to and including 13 May 2024 (the “**Comparable Period**”), being twelve months prior to the entering into of the Subscription Agreement.

Independent Shareholders should note that the principal activities, market capitalisation, profitability and financial position of the companies under the Comparables may not be the same as, or may even substantially vary from, that of the Company, and we have not conducted any detailed investigation into the respective businesses, operations, financial positions and prospects of the companies under the Comparables.

In this regard, we have identified four Comparables in total during the Comparable Period. We are of the view that the Comparable Period adequately covered the prevailing market conditions and sentiments of the capital market in Hong Kong and the number of the Comparables identified may provide general reference of the recent common market practice of listed companies in Hong Kong for the relevant transactions. As such, we consider the Comparables are fair and representative samples for comparison purpose, which represent a full and exhaustive list of relevant comparable issues of shares based on the stated criteria, and are sufficient for assessing the fairness and reasonableness of the Subscription Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details of the Comparables are set out below:

Date of Announcement	Company Name	Stock code	Premium/(discount) of the issue/subscription price over/(to) (Note)		
			the closing price of the last trading day prior to/on the date of the relevant announcement/ agreement <i>Approximate %</i>	the average closing price per share for the last 5 consecutive trading days prior to/on the date of the relevant announcement/ agreement <i>Approximate %</i>	the average closing price per share for the last 10 consecutive trading days prior to/on the date of the relevant announcement/ agreement <i>Approximate %</i>
18/03/2024	China Qidian Guofeng Holdings Limited	1280	(31.37)%	(31.64)%	(30.97)%
07/03/2024	China HK Power Smart Energy Group Limited	931	same	1.42%	1.54%
07/09/2023	Da Sen Holdings Group Limited	1580	(35.48)%	(40.48)%	(43.50)%
31/08/2023	Bonjour Holdings Limited	653	same	0.65%	/
		Min	(35.48)%	(40.48)%	(43.50)%
		Max	0.00%	1.42%	1.54%
		Average	(16.71)%	(17.51)%	(24.31)%
		Median	(15.69)%	(15.50)%	(30.97)%
	The Company		(5.17)%	(15.77)%	(21.03)%

Source: The Stock Exchange

Note: The premium/discount is extracted from the relevant published announcements of the companies for the Comparables.

Price comparison with Comparables

Based on the above table, we noted that the subscription prices to the closing price per share on the last trading day, being the date of the corresponding agreement of the Comparables (the “**Market Range**”) ranged from a discount of approximately 35.48% to no premium/discount, with the average and median at discount of approximately 16.71% and approximately 15.69% respectively to the respective closing prices per share on the dates of relevant announcements of the Comparables.

Also, the subscription prices of the Comparables ranged from a discount of approximately 40.48% to a premium of approximately 1.42%, with an average and median at discount of approximately 17.51% and approximately 15.50% respectively to the respective average closing prices per share for the five consecutive trading days prior to (and including) the dates of relevant announcements of the Comparables (the “**5-Days Range**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the ten consecutive trading days prior to (and including) the dates of relevant announcements of the Comparables (the “**10-Days Range**”), the corresponding subscription prices of the Comparables ranged from a discount of approximately 43.50% to 1.54% premium, with the average and median at discount of approximately 24.31% and approximately 30.97% respectively to the respective closing prices per share on the dates of relevant announcements of the Comparables.

Based on the above, we note that,

- (i) the discount of the Subscription Price to the closing price per Share on the date of the Last Trading Day is lower than the Comparables;
- (ii) the discount of the Subscription Price to the average closing price per Share on the last five (5) consecutive trading days of the companies is slightly higher than the median but lower than the average closing price per Share on the last five (5) consecutive trading days of the companies involved in the Comparables; and
- (iii) the discount of the Subscription Price to the average closing price per Share on the last ten (10) consecutive trading days of the companies is lower than the average and the median closing price per Share on the ten (10) consecutive trading days of the companies involved in the Comparables,

and we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and that the terms of the agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

7. Potential dilution effects of the Subscription

With reference to the section headed “Effect on the Shareholdings Structure” in the Letter from the Board, the Subscription will incur a dilution effect on the shareholding of the existing Shareholders (i.e. from approximately 45.01% to approximately 27.38% immediately after the Completion), having taken into account the reasons for and benefits of the Subscription, in particular (i) the Subscription can relieve part of the Group’s existing loan without depleting its existing financial resources; (ii) the result of the Subscription can lower the gearing ratio and immediately improve the financial position of the Group, and (iii) the lack of alternative means of financings, as stated above, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8. Possible financial effects of the Subscription

Upon Completion, assuming other factors remain constant the Payment Amount is expected to be set off against the Subscription Shares and the Subscription Shares will be recognised entirely as equity of the Company which in turn will enlarge the capital base, reduce the gearing level and enhance the net asset position of the Group.

With reference to the 2023 Annual Report, the gearing ratio of the Group (i.e. the sum of total borrowings, lease liabilities and loan from a director divided by total equity) is approximately 202.8% as at 31 December 2023. As the Payment Amount would be capitalised as consideration for the Subscriptions upon Completion whilst the total equity of the Group would be enlarged upon Completion, it is expected that the Subscription would reduce the gearing ratio and improve the net current liability position of the Group.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Notwithstanding the entering into the Subscription Agreement is not in the ordinary and usual course of business of the Company, having considered the aforementioned principal factors and reasons, we are of the view that (i) the Subscription is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
BaoQiao Partners Capital Limited
Irene Poon
Executive Director

Ms. Irene Poon is a responsible officer registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activities for BaoQiao Partners Capital Limited and has over 20 years of experience in the accounting and corporate financial services industry.

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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors or 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 or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

As at the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(i) Long position in Shares and underlying Shares of the Company

Name of Director/ chief executive	Nature of interest	Number of Shares interested	Approximate percentage of interest in the Company (Note 1)	Note
Zheng Yu Long	Interest of a controlled corporation	610,915,527	45.97%	2
	Beneficial owner	119,935,060	9.02%	3
Zheng Yu Shuang	Interest of a controlled corporation	610,915,527	45.97%	2
Zheng Yu Huan	Interest of a controlled corporation	610,915,527	45.97%	2
Li Hung Kong	Interest of a controlled corporation	610,915,527	45.97%	2

Notes:

- (1) Based on the total number of 1,328,977,000 Shares in issue as at the Latest Practicable Date.
- (2) The 610,915,527 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan and as to 16% by Mr. Li Hung Kong. Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan are brothers and Mr. Li Hung Kong is their brother-in-law. 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.
- (3) 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.

(ii) Long position in shares and underlying shares of Alliance Holding, an associated corporation of the Company

Name of Director/chief executive	Nature of interest	Number of shares interested	Approximate percentage of interest in Alliance Holding
Zheng Yu Long	Beneficial owner	28	28%
Zheng Yu Shuang	Beneficial owner	28	28%
Zheng Yu Huan	Beneficial owner	28	28%
Li Hung Kong	Beneficial owner	16	16%

(b) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

(c) Directors' interest in contracts and assets of the Group and other interests

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 2023, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

As at the Latest Practicable Date, save for service contracts of the Directors, the Loan Agreement and the Subscription Agreement, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(d) Directors' interests in competing business

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

3. MATERIAL ADVERSE CHANGE

The Directors confirm there is no material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

4. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
BaoQiao Partners Capital Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

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

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2023, being the date to which the latest audited financial statements of the Group was made up.

5. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lbxxgroup.com) from the date of this circular up to and including the date of the SGM:

- (1) the Subscription Agreement;
- (2) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 19 to 35 of this circular; and
- (3) the written consent of the expert referred to in the paragraph headed “4. Qualification and Consent of Expert” in this appendix.

6. MISCELLANEOUS

- (a) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (b) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

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 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 Wednesday, 26 June 2024 at 10:00 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 Thursday, 27 June 2024 at 10:00 a.m.) for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution 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 5 June 2024 (the “**Circular**”).

ORDINARY RESOLUTION

1. “**THAT** the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved and confirmed; and any one of the Directors be and is hereby authorised to sign, execute, seal (where required) and deliver all such documents and take such action as he/she may deem necessary, desirable, expedient or appropriate in connection with or to implement or give effect to the Subscription Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 5 June 2024

NOTICE OF SGM

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.
- (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 Friday, 21 June 2024 to Wednesday, 26 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 Thursday, 20 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 Wednesday, 26 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 Thursday, 27 June 2024 at 10:00 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.