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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)

ISSUE OF UNLISTED WARRANTS UNDER GENERAL MANDATE

On 14 August 2014, after trading hours of the Stock Exchange, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for 110,000,000 Warrants (as to 100,000,000 Warrants by Thriving Market and 10,000,000 Warrants by Mr. Hu Weijun) at the issue price of HK\$0.01 per Warrant.

The Warrants will entitle the holders thereof to subscribe in cash up to an aggregate amount of HK\$212,300,000 (subject to adjustment) for the Warrant Shares and each Warrant carry right to subscribe for one Share at an initial Subscription Price of HK\$1.93 per Share, for a period of 60 months commencing from the date of issue of the Warrants. Based on the initial Subscription Price of HK\$1.93 per Warrant Share, a maximum of 110,000,000 Warrant Shares will be allotted and issued by the Company and approximately 8.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares (assuming that there will not be any change in the issued share capital of the Company before the exercise of such subscription rights).

The Warrant Shares issued upon exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Completion of the Subscriptions is subject to the satisfaction of the conditions precedent under the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENTS

Date

14 August 2014 (after trading hours)

Issuer: the Company

Subscribers: (i) Thriving Market Limited, being a company incorporated in the British Virgin Islands with limited liability, is an investment holding company; and

(ii) Mr. Hu Weijun (胡偉軍).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Thriving Market and Mr. Hu Weijun and their respective ultimate beneficial owners is an Independent Third Party.

Principal terms of the Warrants

Number of Warrants: 110,000,000 Warrants, to be issued by the Company at the Issue Price, conferring the rights to the Subscriber to subscribe up to 110,000,000 Warrant Shares (as to 100,000,000 Warrant Shares by Thriving Market and 10,000,000 Warrant Shares by Mr. Hu).

Based on the initial Subscription Price of HK\$1.93 per Warrant Share and assuming that there will not be any change in the issued share capital of the Company before the exercise of the Subscription Rights in full (other than the issue of the Warrant Shares), upon the exercise of the Subscription Rights in full, 110,000,000 Warrant Shares will be issued, representing approximately 9.71% of the existing issued share capital of the Company and approximately 8.85% of the issued share capital as enlarged by the allotment and issue of the Warrant Shares. On such basis, the maximum nominal value of the Warrant Shares will be HK\$1,100,000.

Status: The Warrants will be constituted by way of deed poll to be executed by the Company (i.e. the Instrument). The Warrants will rank pari passu in all respects among themselves.

Form: The Warrants will be issued upon completion in registered form. Definitive certificates will be issued to the Subscriber.

Issue Price: HK\$0.01 per Warrant payable in cash.

Subscription Price: Each Warrant will carry the right to subscribe for one Share at an initial Subscription Price of HK\$1.93 per Warrant Share, subject to adjustment upon occurrence of the Adjustment Events.

Subscription Period:	The subscription rights attaching to the Warrants may be exercised at any time from the date of issue of the Warrants until 4:00 p.m. (Hong Kong time) of 60 months of the issue date (or, if that is not a Business Day, the first Business Day immediately following such date) (both dates inclusive), subject to earlier termination as provided in the Instrument.
Rights of the Warrant Shares:	The Warrant Shares that fall to be issued upon the exercise of the subscription rights attaching to the Warrants will rank pari passu in all respects with the Shares in issue on the relevant date of registration of the name of the relevant holder(s) of the Warrants on the register of members of the Company as holder of such Warrant Shares.
Transferability:	The Warrants are transferable, in integral multiples of 1,000 Warrants or, subject to the agreement by the Company, in such other denomination, and any transfer of the Warrants to any connected person of the Company shall be subject to the requirements that the Stock Exchange may impose from time to time.
Rights of Warrants:	The holders of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holders of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.
Limitations on exercise of the subscription rights attaching to the Warrants:	The subscription rights attaching to the Warrants shall only be exercisable so long as: (a) the aggregate shareholdings of the holders of the Warrants, its associates and parties acting in concert with it immediately after such exercise will not be or exceed 20 per cent (20%) of the then issued share capital of the Company; (b) the exercise of the subscription rights will not result in the holders of the Warrants by itself or taken together with its associates and/or parties acting in concert with it becoming the controlling shareholder (as defined in the Takeovers Code) of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which the holders of the Warrants would be obliged to make a general offer under the Takeovers Code in force from time to time; and (c) the exercise of the subscription rights under the Warrants would not result in the holders of the Warrants and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholding in the Company.

Basis of pricing of the Warrants

The Issue Price of HK\$0.01, which was determined upon arm's length negotiations among the Subscribers and the Company, was determined after taking into account of the followings:

- (i) the terms of similar recent transactions conducted by certain other listed companies;
- (ii) the commercial negotiation with each of the Subscribers with reference to the Subscription Price, subscription period, the past performance of the Group, the interest of the investing public and the market sentiment; and
- (iii) the Subscription Price in relation to the Company's share price performance and net asset value per Share.

The initial Subscription Price of HK\$1.93 per Warrant Share represents:

- (i) a premium of approximately 35.0% to the closing price of HK\$1.43 per Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 33.1% to the average of the closing prices of HK\$1.45 per Share for the last five consecutive trading days for the Shares prior to the Last Trading Day; and
- (iii) a discount of approximately 11.5% to the audited net asset value per Share attributable to the Shareholders of approximately RMB1.70 (equivalent to approximately HK\$2.18) as at 31 December 2013.

The aggregate of (a) the Issue Price of HK\$0.01 per Warrant and (b) the initial Subscription Price of HK\$1.93 per Warrant is HK\$1.94, which represents:

- (i) a premium of approximately 35.7% to the average closing price of HK\$1.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 33.8% the average closing price of HK\$1.45 per Share as quoted on the Stock Exchange for the last five trading days prior to the Last Trading Day; and
- (iii) a discount of approximately 11.0% to the audited net asset value per Share attributable to the Shareholders of approximately RMB1.70 (equivalent to approximately HK\$2.18) as at 31 December 2013.

The Subscription Price and the aggregate of it with the Issue Price were determined with reference to the prevailing market price of the Shares and were negotiated on an arm's length basis between the Company and the Subscribers after considering the Group's existing financial position, liquidity of the Shares in the market, and the recent condition of the financial market in Hong Kong and the prevailing market price of the Shares. The Directors consider that each of the Subscription Price and the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Subscription Agreements is conditional on, among the other matters, the fulfillment of the following conditions on or before 31 December 2014 (or such later time and date as the Subscribers and the Company shall agree in writing):

- (i) the passing by the shareholders of the Company at a special general meeting of the Company of a resolution approving this Agreement, the issue of the Warrants and any Shares falling to be issued on the exercise of the subscription rights attached to the Warrants and other transactions contemplated hereunder (if required); and
- (ii) the Listing Committee of the Stock Exchange shall have granted approval for the listing of, and permission to deal in, the Shares falling to be issued on the exercise of the subscription rights attached to the Warrants either unconditionally or subject to conditions to which the Company accepts.

In the event that the above conditions are not fulfilled by 31 December 2014 or such later date as may be agreed between the Company and the Subscribers in writing, the Subscription Agreements will lapse and become null and void and the Company and the Subscribers shall be released from all rights, obligations and liabilities under the Subscription Agreements, save for any liabilities for any antecedent breaches thereof.

Completion of the Subscriptions

The Warrants will be created and issued to the Subscribers immediately or within seven Business Days following the date on which the conditions to the Subscriptions are fulfilled (or such other date as agreed by the Company and the Subscribers).

General Mandate to issue the Warrant Shares

The new Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 23 May 2013 subject to the limit of 225,120,000 Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date).

The 110,000,000 Warrant Shares, to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants, will utilise approximately 48.86% of the General Mandate. The General Mandate has not been previously utilized prior to the Subscriptions.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE SUBSCRIPTIONS

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sale of jelly products, confectionary products, beverages products and other snacks products.

The Board considers that the Subscriptions are an appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders and the Warrants are not interest bearing. In addition to the net proceeds that would be raised upon completion of the Subscriptions, further capital would be raised upon exercise of the subscription rights attaching to the Warrants. The Board considers that the Subscriptions and the issue of the Warrant Shares provide opportunities for the Group to strengthen the Group's capital base and financial position to better equip the Group with the financial flexibility for development of the business of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

It is expected that gross proceeds of approximately HK\$1,100,000 will be raised by the Subscriptions and the net proceeds of approximately HK\$900,000 (with a net issue price of approximately HK\$0.0082 per Warrant) will be utilised by the Group as general working capital of the Group and capital expenditures of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that gross proceeds of approximately HK\$213,400,000 will be raised. The net proceeds of approximately HK\$213,200,000 (with a net subscription price of approximately HK\$1.94 per Warrant Share) will be used for general working capital of the Group and capital expenditures of the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Warrant Shares to be issued upon the exercise of all Warrants, when aggregated with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issued share capital of the Company.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted an equity fund raising activity in the 12 months immediately preceding the date of this announcement.

Changes in shareholding structure of the Company

Assuming there being no other changes in the share capital of the Company, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the completion of the Subscriptions and upon exercise of the subscription rights attaching to the Warrants in full (assuming that there will not be any change in the issued share capital of the Company before the exercise of such subscription rights) are as follows:

Shareholders	As at the date of this announcement		Immediately after exercise of the subscription rights attaching to the Warrants in full (assuming that there will not be any change in the issued share capital of the Company before the exercise of such subscription rights)	
	Number Approximate of Shares	%	Number Approximate of Shares	%
Alliance Food and Beverages (Holding) Company Limited ("Alliance Holding") (Note 1)	610,915,527	53.94%	610,915,527	49.16%
Mr. Zheng Yu Long (Notes 1 and 2)	722,223,587	63.77%	722,223,587	58.12%
Mr. Zheng Yu Shuang (Note 1)	610,915,527	53.94%	610,915,527	49.16%
Mr. Zheng Yu Huang (Note 1)	610,915,527	53.94%	610,915,527	49.16%
Mr. Li Hung Kong (Note 1)	610,915,527	53.94%	610,915,527	49.16%
Artisan Partners Asset Management Inc. (Note 3)	61,141,000	5.40%	61,141,000	4.92%
Artisan Partners Holdings LP (formerly known as Artisan Partners Limited Partnership) (Note 3)	61,141,000	5.40%	61,141,000	4.92%
Artisan Partners Limited Partnership (Note 3)	61,141,000	5.40%	61,141,000	4.92%
Thriving Market	—	—	100,000,000	8.05%
Mr. Hu	—	—	10,000,000	0.80%
Public	349,235,413	30.83%	349,235,413	28.11%
Total	<u>1,132,600,000</u>	<u>100%</u>	<u>1,242,600,000</u>	<u>100%</u>

Notes:

- The 610,915,527 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the Shares held by Alliance Holding for the purpose of the SFO.
- In addition to the 610,915,527 Shares held through Alliance Holding, Mr. Zheng Yu Long is also personally and beneficially interested in 111,308,060 Shares.

3. To the best of the knowledge of the Directors and based on the information publicly available, 61,141,000 ordinary shares of the Company are held by Artisan Partners Limited Partnership as investment manager which is wholly-owned by Artisan Partners Holdings LP which in turn is wholly-owned by Artisan Partners Asset Management Inc.
4. The two Subscribers subscribed for the Warrants conferring the rights to the holders thereof to subscriber up to HK\$1,100,000 in aggregate (as to HK\$1,000,000 by Thriving Market and HK\$100,000 by Mr. Hu) for the Warrants Shares.

Completion of the Subscriptions is subject to the satisfaction of the conditions precedent under the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Adjustment Events”	(1) alteration to the nominal amount of each of the Shares by reason of any consolidation or subdivision or reclassification of Shares; or (2) issue of Shares by way of capitalization of profit or reserves; or (3) capital distribution to all Shareholders (including dividend payment) or grant to Shareholders rights to acquire for cash, assets of the Company or any of its subsidiaries; or (4) offer to the Shareholders new Shares for subscription by way of rights; or grant of any options or warrants to all Shareholders to subscribe for new Shares, at a price which is less than 90% of the market price or (5) issue for cash and securities which are convertible into or exchangeable for or carry rights of subscription for new Shares; or (6) issue for cash any Shares at a price which is less than 90% of the market price; or (7) an offer or invitation to Shareholders to tender for sale to the Company any Shares or the repurchase of any Shares or securities convertible into Shares or any rights to acquire Shares by the Company
“associate(s)”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	means any day on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours, other than a Saturday, Sunday and a public holiday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Company”	Labixiaoxin Snacks Group Limited, a company incorporated in the Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange

“Completion Date”	immediately or within seventh Business Days following the date on which the Conditions Precedent are fulfilled (or such other date as agreed by the Company and the Subscribers)
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company convened and held on 23 May 2013
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) which is/are not connected person(s) (as defined under the Listing Rules) of the Company and is/are independent of the Company and its connected persons
“Instrument”	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Warrants, including the adjustment mechanisms of the initial subscription price for Warrant Shares
“Issue Price”	HK\$0.01, being the issue price per Warrant payable in full by the Subscribers upon issuing of the Warrants subject to the terms and conditions of the Subscription Agreements
“Last Trading Day”	13 August 2014, being the last trading day for the Shares before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2014 (or such other date as may be agreed between the Company and the Subscribers), being the last day by which the conditions of the Subscriptions shall be fulfilled
“Mr. Hu”	Mr. Hu Weijun (胡偉軍), being an individual with address in the PRC and one of the Subscribers of the Subscriptions
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

“Share(s)”	ordinary issued share(s) of US\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively Thriving Market and Mr. Hu
“Subscriptions”	the subscriptions of the Subscribed Warrants
“Subscription Agreements”	(i) the subscription agreement dated 14 August 2014 and entered into between the Company and Thriving Market; and (ii) the subscription agreement dated 14 August 2014 and entered into between the Company and Mr. Hu in relation to the subscriptions of the Warrants
“Subscription Price”	the initial subscription price of HK\$1.93 per Warrant Share (subject to adjustment) at which the Subscribers may subscribe for the Warrant Shares
“Takeovers Code”	Hong Kong Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong
“Thriving Market”	Thriving Market Limited, being a company incorporated in the British Virgin Islands with limited liability and one of the Subscribers of the Subscriptions
“US\$”	United States dollars, the lawful currency of United States
“Warrants”	110,000,000 unlisted warrants to be issued by the Company at the Issued Price, each entitles the holder thereof to subscribe for one Warrant Share at the Subscription Price at any time during a period of 60 months commencing from the date of issue of the Warrants
“Warrant Shares”	up to initially 110,000,000 new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants
“%”	per cent.

By order of the Board
Labixiaoxin Snacks Group Limited
Zheng Yu Long
Chairman

Hong Kong, 14 August 2014

As at the date of this announcement, the executive Directors are Zheng Yu Long, Zheng Yu Shuang and Zheng Yu Huan; the non-executive Director is Li Hung Kong; and the independent non-executive Directors are Li Zhi Hai, Sun Kam Ching and Chung Yau Tong.