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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)

SUPPLEMENTAL ANNOUNCEMENT ON RESIGNATION OF AUDITORS

Reference is made to the announcement of Labixiaoxin Snacks Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 12 May 2014 (the “**Announcement**”) in relation to the resignation of PwC as the auditors of the Group (the “**Resignation**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcement.

Set out below is an extract of the circumstances leading to the Resignation as contained in PwC’s letter of resignation dated 12 May 2014.

“In our letters to the Board of Directors of the Company dated 16 April and 2 May 2014, we have stated our requirements in response to the allegations contained in an article published by Capital Week on 10 March 2014. We have reiterated in such letters the importance of our proactive involvements in the selection process of the independent advisor, who would be appointed to conduct the investigation as mentioned in the Company’s announcement on 31 March 2014 (the “Investigation”), the scope determination of the Investigation, and other extended audit procedures that we might want to conduct.

However before we were able to commence the above procedures, the Company has announced on 30 April 2014 that an independent investigation advisor has already been appointed and reported their findings to the Company. In our letter dated 2 May 2014, we requested to meet with the Special Review Committee and the independent advisor to understand and review the scope and findings of the Investigation, in order to determine whether we can place any reliance on the results of such work for the purpose of our audit of the consolidated financial statements of the Group for the year ended 31 December 2013. We have also included in this letter suggested procedures which we believe should be included in the Investigation and our expected fee range in relation to performing the extended audit procedures and procedures for the Investigation.

On 5 May 2014, we were informed by Mr Zheng Yu Long that the Board of Directors could not agree on the expected timing and proposed fees for our extended audit procedures and procedures for the Investigation, hence the Company would like to terminate the auditor relationship with us. As we believe we would not be able to perform the extended audit procedures and procedures for the Investigation which we believe are necessary for the audit of the consolidated financial statements of the Group for the year ended 31 December 2013, we therefore agree with the Board of Directors on the termination of the auditor relationship.”

The Board considered that the Company and PwC could not reach a consensus in relation to the proposed Additional Assurance Works and other procedures as (a) some of the proposed additional procedures were not directly relevant to Allegations contained in the Article; (b) some of the proposed procedures were a repetition of the field work in respect of the audit conducted in January 2014; and (c) PwC was unable to provide an exhaustive scope of work for the Additional Assurance Works and other procedures and the Board considered the lack of certainty as to the scope of the Additional Assurance Works unacceptable and would, as a result, substantially affect the timing of resumption of trading of the Company’s shares.

In addition, the Board and the Special Review Committee could not reach a consensus with PwC in relation to (a) the request from PwC to involve PwC in the selection process of the advisors and determination of scope for the Independent Reviews, as the Special Review Committee considered the involvement of PwC would affect the independence of the Special Reviews; and (b) certain procedures proposed by PwC for the Independent Reviews, as the Special Review Committee considered (i) the proposed procedures were not directly relevant to the Allegations contained in the Articles and hence should not be included in the Independent Review of the Special Review Committee and (ii) some procedures have been conducted by PwC in connection with its audit, and thus, it is not justifiable to repeat the procedures in the Independent Review by the advisors.

The Board considered the additional fees proposed by PwC for the Additional Assurance Works and other procedures unjustified and the Company and PwC could not reach a consensus on the expected timing of the finalisation of the 2013 Audited Accounts as (a) PwC cannot provide an indicative timeframe in relation to the Additional Assurance Works and other procedures; (b) the Board considered the lack of exhaustive scope of the Additional Assurance Works resulted in a risk of incurring unnecessary delays to finalise the 2013 Audited Accounts; and (c) the Board considered that timing is of essence as the shares of the Company had been suspended from trading on the Stock Exchange since 24 March 2014.

The Board confirmed that, save for the matters set out above, there is no disagreement between the Company and PwC, and there were no matters connected with the resignation of PwC which the Board considered should be brought to the attention of the shareholders of the Company.

SUSPENSION OF TRADING

At the request of the Company, trading in its shares on The Stock Exchange of Hong Kong Limited has been suspended from 9:00 a.m. on 24 March 2014 and will remain suspended until further notice.

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

Hong Kong, 3 June 2014

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