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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)

PROFIT WARNING

This announcement is made by Labixiaoxin Snacks Group Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

Reference is made to the announcement of the Company dated 25 July 2014 and the interim report of the Company for the period ended 30 June 2014. The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the information currently available to the Board and the preliminary review of the unaudited management accounts of the Group, the Group is expected to record a total sales of approximately RMB1,111 million and a net loss of approximately RMB3 million for the year ended 31 December 2014, representing a significant decrease as compared to the total sales of approximately RMB1,834 million and net profit of approximately RMB326 million for the year ended 31 December 2013. Based on the information currently available to the Board, the Board considers that such significant decrease was primarily attributable to (i) a return of the Group’s products, amounted to approximately RMB133.3 million, as a result of, among others, the reporting of certain media in the PRC including the CCTV news in relation to the supply of toxic gelatin by certain enterprises in food production in mid-March 2014 (the “**Gelatin Scandal**”); (ii) weakened demand on traditional snack products of the Group due to the Gelatin Scandal; (iii) additional one-off sales discounts given to distributors as a result of the Gelatin Scandal, which reduced the gross profit margin of the Group; (iv) increase in marketing and promotional expenses by over 10% as compared to the year ended 31 December 2013 in order to enhance consumption sentiment and re-shape the Group’s brand image; and (v) increase in certain non-cash expenses such as depreciation charge of the property, plant and equipment of new Anhui factory and the expenses for granting of share options to certain employees in September 2014.

The Company has yet to finalise the annual results of the Group for the year ended 31 December 2014. The information contained in this announcement is only based on the preliminary assessment by the management with reference to the information currently available to the Board and is not based on any figures or information that has been audited or reviewed by the auditors or the audit committee of the Company. Shareholders and investors are advised to read carefully the results announcement of the Company for the year ended 31 December 2014, which is expected to be published in mid March 2015.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 26 January 2015

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.