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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)**

### UPDATE ON RECENT DEVELOPMENT OF SUSPENSION OF TRADING AND UPDATES ON THE INDEPENDENT REVIEWS CONDUCTED BY SPECIAL REVIEW COMMITTEE

Reference is made to the announcements of Labixiaoxin Snacks Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 12 March 2014, 17 March 2014, 24 March 2014 and 31 March 2014 (the “**Announcements**”) in relation to the establishment of the Special Review Committee and the Independent Review. Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company that the Company had engaged (i) Jingtian & Gongcheng Law Firm (“**Jingtian & Gongcheng**”) as the Company’s PRC legal advisers to, among other things, conduct a legal due diligence (the “**Product Quality Legal Due Diligence**”); and (ii) BDO China Shu Lun Pan CPA LLP (“**BDO**”) to conduct, among other things, an independent review (the “**Independent Financial Review**”) on the sales and operating margin of the Group by investigating the sales of 40 distributors or key accounts agents of the Group (the “**Customers**”) selected by BDO on a random basis (the “**40 Selected Customers**”). The 40 Selected Customers comprised (i) 12 customers among the top 20 customers for the year ended 31 December 2013 (the “**2013 Customers**”) in terms of sales; (ii) 14 customers out of the 2013 Customers ranked among the 21st to 50th in terms of sales; and (iii) 14 customers out of the 2013 Customers ranked among the 51st to 100th in terms of sales.

The scope of the Product Quality Legal Due Diligence includes, among other things, (i) an investigation on the compliance of the Company’s product quality with the applicable laws and regulations of the People’s Republic of China; (ii) a review on the adequacy of the licences and permits obtained by the Group and its OEM business partners; and (iii) ascertaining the legality and the validity of the recent quality assurance confirmations issued by the relevant Government authorities in March 2014. As at the date of this announcement, Jingtian & Gongcheng has commenced the Product Quality Legal Due Diligence and it is currently contemplated that the report on the Product Quality Legal Due Diligence will be available in mid-May 2014.

The scope of the Independent Financial Review includes, among other things, (i) conducting interviews with the 40 Selected Customers to ascertain their respective business models, distribution networks, history of business with the Group, general market feedback of “Labixiaoxin” products; (ii) reviewing the transaction between the Group and the 40 Selected Customers as set out in the Group’s internal books and records, including (a) verifying not less than 70% of the total sales of the 40 Selected Customers against the sales orders, value-added tax payment and delivery notes or equivalent supporting documents and (b) verifying not less than 70% of the total cash receipts from the 40 Selected Customers for the year ended 31 December 2013 against the remittance advice or equivalent supporting documents and bank statements; (c) circulate independent confirmations to confirm sales of the Group to the 40 Selected Customers for the year ended 31 December 2013; (iii) verifying the gross profit of the Group’s jelly products against the sales and costs recorded in the Group’s internal books and records; (iv) verifying the sales value as stated in the value-added tax notices for the year ended 31 December 2013 (“**VAT Notices**”) of the Group’s major subsidiaries against the management accounts of the Group; (v) verifying the payments under the VAT Notices of the Group’s major subsidiaries against the payment advices and bank statements; (vi) verifying the taxable profit in the corporate income tax notices for the year ended 31 December 2013 (the “**Corporate Income Tax Notices**”) of the Group’s major subsidiaries against the profit before tax as set out in the management accounts of the Group for the year ended 31 December 2013; and (vii) verifying the payments under the Corporate Income Tax Notices of the Group’s major subsidiaries against the remittance advices and bank statements.

As at the date of this announcement, BDO has submitted its report of findings under the Independent Financial Review (the “**Independent Review Report**”) to the Special Review Committee. According to the Independent Review Report, no material issues had been identified during the course of the Independent Review.

Upon review and due consideration by the Special Review Committee, the Special Review Committee had approved the Independent Review Report and the Independent Review Report had been submitted to the Board. Based on the Independent Review Report and the Special Review Committee’s opinion, the Board is of the view that there is no reason to believe that the Group has manipulated the sales or operating margin for the year ended 31 December 2013.

As additional time is required to finalise the 2013 Audited Accounts, the publication of the 2013 Annual Results Announcement will be further delayed and it is expected that the 2013 Annual Results Announcement will be released and published in around end of June 2014.

The Company will keep its shareholders and potential investors informed of any further material development in relation to the suspension of trading by way of further announcement(s) as and when appropriate.

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, 30 April 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.*