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.

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 for the year ended 31 December 2016, the Group is expected to record a total sales of approximately RMB892.9 million for the year ended 31 December 2016 as compared to the total sales of approximately RMB1,047.4 million for the year ended 31 December 2015 and a net loss of approximately RMB601.7 million for the year ended 31 December 2016 as compared to the net loss of approximately RMB338.2 million for the year ended 31 December 2015. Based on the information currently available to the Board, the Board considers that such decrease in sales and increase in net loss was primarily attributable to (i) the continual weakening of the market demand on traditional snack products of the Group affected by poor consumers sentiment and overall economic slowdown in the People's Republic of China (the "**PRC**"); (ii) a provision for impairment of property, plant and equipment of approximately RMB241.5 million recognised for the year ended 31 December 2016 due to the decline in the expected performance for the Group's business; (iii) a provision for impairment of loan receivable in the amount of approximately RMB91.5 million due to default by the borrower of the outstanding entrusted loan pursuant to an entrusted loan agreement dated 19 June 2015; (iv) an increase in marketing and promotional expenses by approximately 70% as compared to the year ended 31 December 2015 in order to enhance consumption sentiment and further promote the Group's brand image; and (v) a write-off of raw materials and finished goods of approximately RMB33.9 million as a result of certain goods of the Group being returned by customers and change in food additives disclosure requirements in the PRC.

The Company has yet to finalise the annual results of the Group for the year ended 31 December 2016. 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 2016, which is expected to be published before the end of March 2017.

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 Huan
Chairman

Hong Kong, 1 March 2017

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 directors of the Company is Li Hung Kong and Ren Yunan; and the independent non-executive directors of the Company are Li Zhi Hai, Sun Kam Ching and Chung Yau Tong.