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)

CLARIFICATION ANNOUNCEMENT

Reference is made to an article (the "**Article**") published by CapitalWeek ("**CapitalWeek**"), a PRC magazine recently regarding Labixiaoxin Snacks Group Limited (the "**Company**", together with its subsidiaries, the "**Group**").

The Article contains certain allegations or comments on the Group, which are inappropriate, groundless and misleading. This announcement is made to refute such allegations or comments concerning the Group in the Article. At the same time, the Company is consulting its legal advisers and reserves its rights to take legal actions against CapitalWeek.

The Article had alleged that (i) based on the average monthly sales of certain distributors collected from interviews, the Company might have overstated its sales; and (ii) based on financial analysis and comparison with certain peer companies, the Group's margin is unreasonably high.

The Group has started its snacks business since 2000, and has focused on brand development, expanding its distribution networks and enhancing its products portfolio. As at 30 June 2013, the Group distributed its products under its core brand "*Labixiaoxin*" in various retail channels via over 300 distributors and key account agents across China. The sales to each distributors and key account agents vary depending on, among others, the size of business and locality. Indeed, the monthly sales to each distributor and key account agents ranged from thousands to millions. Accordingly, monthly sales of few number of distributors collected from interviews are not representative of the total monthly sales, and any conclusion reached based on the discussions during such interviews is unfair and misleading.

In addition, the reliability and accuracy of the data and information gathered through such interviews are questionable. The Article may interview sub-distributors but not principle distributors of the Group. The Article had not disclosed further details of distributors they have interviewed, the Company has no basis to comment further to this point. The Company also wishes to point out the contradictory nature of the contents of the Article. In this circumstance, **the Company recommends the shareholders of the Company and investors to exercise extreme caution when relying on the information in the Article.**

The Company also wishes to emphasise that the sound financial performance of the Group was not solely reflected in its sales, as the Group had also generated good cash flow. During the six months ended 30 June 2013, the Group's operating cash flow had increased by 20.5%, as compared to the corresponding period in 2012. The Group was in net cash position as at 30 June 2013. The Group also paid dividend to shareholders regularly. In fact, the Company's dividend policy is to pay at least 20% of net profit every year. The financial statements of the Group were audited by PricewaterhouseCoopers since 2003.

Furthermore, as the profit margin of a company is affected by various factors including, among others, its product portfolio, business model adopted and the consequent costs structure and taking into consideration that each of the Company and the peer companies has different product portfolios, business models and cost structures, there will be variance in the profit margins. Accordingly, mere comparison of profit margins between the Company and other market players is inaccurate and misleading.

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

The Company wishes to emphasise that it welcomes commentaries based on accurate, appropriate and reasonable basis to ensure that the Company's business is growing healthily.

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

Hong Kong, 12 March 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.