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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2012	2011	Change
	RMB' million	RMB' million	+ / (-) %
Key income statement items			
Sales	1,546.5	1,279.7	20.8%
Gross Profit	633.3	512.5	23.6%
EBITDA ¹	436.4	332.4	31.3%
Profit for the year	277.9	221.7	25.3%
Key performance indicators			
Gross profit margin	41.0%	40.0%	1.0%
EBITDA margin	28.2%	26.0%	2.2%
Net profit margin	18.0%	17.3%	0.7%
Return on equity ²	17.9%	24.6%	-6.7%
Earnings per share			
– Basic	RMB0.25	RMB0.25	0%
– Diluted	RMB0.25	RMB0.25	0%
Final dividend per share ³	HKD0.08	HKD0.06	33.3%
- EBITDA refers to earnings before interests, income tax, depreciation and amortisation and non-cash share-based payment. - Return on equity is calculated using profit for the year divided by average of monthly ending equity balance for the year. - The Company proposed a final dividend of HKD0.08 per share for the year ended 31 December 2012, subject to the shareholders' approval at the forthcoming annual general meeting to be held on 23 May 2013.			

The board of directors (the “**Board**”) of Labixiaoxin Snacks Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, as the “**Group**”) for the year ended 31 December 2012, together with comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Note</i>	2012 RMB’000	2011 RMB’000
Sales	3	1,546,482	1,279,712
Cost of sales	5	(913,187)	(767,213)
Gross profit		633,295	512,499
Other income	4	8,916	1,468
Selling and distribution expenses	5	(203,532)	(169,241)
Administrative expenses	5	(70,047)	(56,470)
Other gains/(losses), net	6	1,504	(4,320)
Operating profit		370,136	283,936
Finance income		6,461	1,147
Finance costs		(7,358)	(8,757)
Finance costs, net	7	(897)	(7,610)
Profit before income tax		369,239	276,326
Income tax expense	8	(91,379)	(54,630)
Profit and total comprehensive income for the year		277,860	221,696
Earnings per share attributable to equity holders of the Company (<i>RMB per share</i>)	9		
– Basic		0.25	0.25
– Diluted		0.25	0.25

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	<i>Note</i>	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Land use rights		150,922	154,239
Property, plant and equipment		991,138	778,378
Deposits for property, plant and equipment		118,917	67,438
Interests in an associated company		—	—
Deferred income tax assets		6,112	3,728
		1,267,089	1,003,783
Current assets			
Inventories		72,769	80,134
Trade receivables	<i>11</i>	269,517	243,330
Prepayments and other receivables		10,904	18,102
Pledged bank deposits		9,604	18,010
Cash and cash equivalents		406,106	521,949
		768,900	881,525
Total assets		2,035,989	1,885,308
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		403,984	403,984
Share premium		550,787	550,787
Other reserves		33,311	(1,739)
Retained earnings		670,856	480,263
Total equity		1,658,938	1,433,295
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		17,410	9,245
Current liabilities			
Trade and other payables	<i>12</i>	257,408	273,830
Borrowings	<i>13</i>	75,080	157,000
Current income tax liabilities		27,153	11,938
		359,641	442,768
Total liabilities		377,051	452,013
Total equity and liabilities		2,035,989	1,885,308
Net current assets		409,259	438,757
Total assets less current liabilities		1,676,348	1,442,540

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Note</i>	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations	14	409,470	286,450
Income tax paid		(70,383)	(52,742)
Net cash generated from operating activities		339,087	233,708
Cash flows from investing activities			
Purchase of land use rights		–	(46,800)
Purchase of property, plant and equipment		(205,507)	(247,683)
Deposits paid for property, plant and equipment		(118,917)	(67,438)
Proceeds from disposal of property, plant and equipment		185	214
Interest received		6,461	1,147
Net cash used in investing activities		(317,778)	(360,560)
Cash flows from financing activities			
Proceeds from borrowings		35,120	157,000
Repayments of borrowings		(117,040)	(92,000)
Decrease in pledged bank deposits		8,406	9,894
Proceeds from issuance of shares, net of issuance costs		–	139,130
Proceeds from issuance of shares pursuant to the Global Offering, net of issuance costs		–	465,298
Dividends paid		(56,280)	(40,000)
Interest paid		(7,358)	(8,757)
Net cash (used in)/generated from financing activities		(137,152)	630,565
Net (decrease)/increase in cash and cash equivalents		(115,843)	503,713
Cash and cash equivalents at the beginning of the year		521,949	18,236
Cash and cash equivalents at the end of the year		406,106	521,949

NOTES:

1 GENERAL INFORMATION

Labixiaoxin Snacks Group Limited (the “Company”) was incorporated in Bermuda on 4 May 2004 and domiciled in Bermuda. The Company’s immediate and ultimate holding company is Alliance Food and Beverages (Holding) Company Limited, a company incorporated in the British Virgin Islands (“BVI”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Wuli Industrial Area, Jinjiang, Fujian, the People’s Republic of China (“PRC”) (中國福建省晉江市五里工業園區).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the manufacture and sale of food and beverages products.

The Company’s shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These consolidated financial statements are presented in thousands of units of Renminbi (“RMB’000”), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) Amended standards adopted by the Group

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

IAS 12 (Amendment)	Deferred tax: recovery of underlying assets
IFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
IFRS 7 (Amendment)	Disclosures – transfers of financial assets

(b) New standards, amendments to standards and interpretations that have been issued but are not effective

The Group has not early adopted IFRS 10 “Consolidated financial statements” which is effective for the Group’s accounting periods ending on or after 1 January 2013. The Group has assessed its impact and so far it has concluded that the adoption of it does not have material impact to the results and financial position of the Group.

The Group has not early adopted the following new standards, amendments to standards and interpretations which have been issued and are mandatory for the Group’s accounting periods beginning on or after 1 January 2013.

IAS 1 (Amendment)	Presentation of financial statements ¹
IAS 19 (Amendment)	Employee benefits ¹
IAS 27 (2011)	Separate financial statements ¹
IAS 28 (2011)	Investments in associates and joint ventures ¹
IAS 32 (Amendment)	Financial instruments: Presentation – offsetting financial assets and financial liabilities ²
IFRS 1 (Amendment)	‘First time adoption’, on government loans ¹
IFRS 7 (Amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities ¹
IFRS 7 and IFRS 9 (Amendments)	Mandatory effective date and transition disclosures ³
IFRS 9	Financial instruments ³
IFRS 11	Joint arrangements ¹
IFRS 12	Disclosure of interests in other entities ¹
IFRS 13	Fair value measurement ¹
IFRIC – Int 20	Stripping costs in the production phase of a surface mine ¹

¹ Effective for the Group for annual periods beginning on or after 1 January 2013

² Effective for the Group for annual periods beginning on or after 1 January 2014

³ Effective for the Group for annual periods beginning on or after 1 January 2015

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations and does not expect there will be any significant impact to the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sale of jelly products, confectionary products and other food and beverages products.

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company. CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM considers the business by products and assesses the performance of the following operating segments:

- i. Jelly products
- ii. Confectionary products
- iii. Other products

CODM assesses the performance of the operating segments based on measure of segment results. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

During the year, none of the individual customer account for 10% or more of the Group's external revenue (2011: none). As at 31 December 2012 and 2011, substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

	Year ended 31 December 2012			Reportable segments
	Jelly products	Confectionary products	Other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Sales to external customers	1,140,570	209,665	196,247	1,546,482
Cost of sales	(656,103)	(128,123)	(128,961)	(913,187)
Gross profit	<u>484,467</u>	<u>81,542</u>	<u>67,286</u>	<u>633,295</u>
Results of reportable segments	<u>326,578</u>	<u>57,623</u>	<u>45,562</u>	<u>429,763</u>
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				429,763
Corporate income				11,497
Corporate expenses				(71,124)
Operating profit				370,136
Finance income				6,461
Finance costs				(7,358)
Profit before income tax				369,239
Income tax expense				(91,379)
Profit for the year				<u>277,860</u>
Amortisation of land use rights	<u>3,317</u>	<u>–</u>	<u>–</u>	<u>3,317</u>
Depreciation of property, plant and equipment	<u>56,125</u>	<u>–</u>	<u>2,798</u>	<u>58,923</u>

	Year ended 31 December 2011			Reportable segments
	Jelly products <i>RMB'000</i>	Confectionary products <i>RMB'000</i>	Other products <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
Sales to external customers	1,007,146	166,258	106,308	1,279,712
Cost of sales	(594,439)	(101,074)	(71,700)	(767,213)
Gross profit	<u>412,707</u>	<u>65,184</u>	<u>34,608</u>	<u>512,499</u>
Results of reportable segments	<u>274,284</u>	<u>46,220</u>	<u>22,754</u>	<u>343,258</u>

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments				343,258
Corporate income				2,239
Corporate expenses				(61,561)
Operating profit				283,936
Finance income				1,147
Finance costs				(8,757)
Profit before income tax				276,326
Income tax expense				(54,630)
Profit for the year				<u>221,696</u>
Amortisation of land use rights	<u>3,161</u>	<u>—</u>	<u>—</u>	<u>3,161</u>
Depreciation of property, plant and equipment	<u>43,596</u>	<u>—</u>	<u>1,756</u>	<u>45,352</u>

4. OTHER INCOME

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Rental income	958	876
Government subsidy	<u>7,958</u>	<u>592</u>
	<u>8,916</u>	<u>1,468</u>

5. EXPENSES BY NATURE

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Purchases of raw materials, finished goods and consumables	819,486	688,596
Changes in inventories of raw materials and finished goods	7,365	(3,274)
Advertising and promotion expenses	114,318	96,404
Employee benefit expenses (including directors' emoluments)	92,761	82,981
Depreciation of property, plant and equipment	58,923	45,352
Freight and transportation expenses	52,252	41,938
Share issuance costs	—	3,383
Amortisation of land use rights	3,317	3,161
Auditor's remuneration	1,760	1,800
Operating leases rentals	356	370
Other expenses	36,228	32,213
	<u>1,186,766</u>	<u>992,924</u>

6. OTHER GAINS/(LOSSES), NET

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Gain on sales of raw materials and scrap materials	260	771
Loss on disposal of property, plant and equipment	(1,077)	(1,509)
Exchange gains/(losses), net	2,321	(3,582)
	<u>1,504</u>	<u>(4,320)</u>

7. FINANCE COSTS, NET

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Interest income on bank deposits	6,461	1,147
Interest expenses on bank borrowings	(7,358)	(8,757)
	<u>(897)</u>	<u>(7,610)</u>

8. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current income tax – PRC	85,598	53,340
Deferred income tax	5,781	1,290
	<u>91,379</u>	<u>54,630</u>

During the year, the Group did not have any assessable income in Bermuda, BVI and Hong Kong (2011: Nil).

The subsidiaries in the PRC are subject to income tax rate of 25% (2011: 25%) on their taxable profit during the year. One of the subsidiaries was granted full exemption from the PRC income tax for two years from their first profit-making year of operation, and followed by a 50% reduction in income tax rate for the next three years. This year is the last year of the 50% reduction in income tax rate for the subsidiary.

A subsidiary in Fujian province, PRC, was designated an New and Hi-Tech Enterprises (“NHTE”) (“高新技術企業”) in October 2009 and enjoyed a preferential income tax rate of 15% for the year ended 31 December 2011. During the year, this subsidiary did not renew its status as an NHTE and was subject to an income tax rate of 25%.

The income tax expense on profit differs from the amount that would arise using the PRC applicable income tax rate is as explained below:

	2012 RMB'000	2011 RMB'000
Profit before income tax	<u>369,239</u>	<u>276,326</u>
Tax calculated at PRC applicable income tax rate	92,310	69,082
Effects of:		
– Tax concession	(14,773)	(24,943)
– Different tax rates	1,382	1,059
– Income not subject to tax	(749)	(255)
– Expenses not deductible for tax purposes	4,490	2,734
– Withholding tax on unremitted profits	8,165	6,680
– Others	554	273
Tax charge	<u>91,379</u>	<u>54,630</u>

9. EARNINGS PER SHARE

	2012	2011
Net profit attributable to the equity holders of Company (RMB'000)	<u>277,860</u>	<u>221,696</u>
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	<u>1,125,600</u>	<u>898,041</u>
Basic earnings per share (RMB per share)	<u>0.25</u>	<u>0.25</u>

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

The ordinary shares of 353,063,478 issued on 9 December 2011 related to the capitalisation issue were deemed to have been issued at the beginning of the earliest period presented in the financial statements.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit attributable to the Company's equity holders and the weighted average number of ordinary shares in issue during the year after adjusting for the dilutive potential ordinary shares in respect of the Company's outstanding share options. The potential ordinary shares in respect of the Company's outstanding share options are anti-dilutive for the year ended 31 December 2012. There was no potential dilutive ordinary shares for the year ended 31 December 2011.

10. DIVIDENDS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Final dividends, proposed, of (2012: HKD0.08 (approximately equivalent to RMB0.064); 2011: HKD0.06 (equivalent to RMB0.05) per share	72,038	56,280
Interim dividends, paid, of (2012: Nil; 2011: RMB0.079) per share	–	40,000

At a meeting held on 28 March 2013, the directors proposed a final dividend of HKD0.08 (approximately equivalent to RMB0.064) per share. The proposed dividends are not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

11. TRADE RECEIVABLES

The Group's sales are generally on credit term ranging from 30 to 90 days. As at 31 December 2012, the aging analysis of trade receivables, based on invoice date, is as follows:

	The Group 2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Less than 30 days	199,875	164,619
31 days – 90 days	69,342	72,771
Over 90 days	300	5,940
	269,517	243,330

For the trade receivables that are not past due nor impaired, the directors were of the opinion that no impairment provision was required as those customers did not have recent default history.

As at 31 December 2012, trade receivables of RMB300,000 (2011: RMB5,940,000) were past due but not impaired. These relate to a number of independent customers and were fully repaid subsequent to year end. The Group does not hold any collateral as security over these debtors. The ageing analysis of these receivables is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Past due by less than 3 months but not impaired	300	5,940

During the year, no trade receivables were impaired (2011: Nil). As at 31 December 2012 and 2011, no trade receivables are considered to be impaired.

The carrying amounts of trade receivables approximate their fair values.

12. TRADE AND OTHER PAYABLES

	The Group	
	2012	2011
	RMB'000	RMB'000
Trade payables	148,717	131,911
Bills payable	32,798	51,475
Trade and bills payables	181,515	183,386
Accrued sales rebates	28,447	23,039
Other accrued expenses	24,825	20,937
Directors' fees and emoluments payable	7,862	5,915
Payables of share issuance costs	–	17,914
Sundry creditors	14,759	22,639
	257,408	273,830

The credit periods granted by suppliers generally range from 30 to 60 days. As at 31 December 2012, the aging analysis of trade payables is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Less than 30 days	126,035	105,459
31 days – 90 days	22,682	26,452
	148,717	131,911

Bills payable of the Group amounting to RMB32,798,000 (2011: RMB51,475,000) were secured by pledged bank deposits of RMB9,604,000 (2011: RMB18,010,000).

The bills payable were with average maturity period of within six months.

The carrying amounts of trade and other payables approximate their fair values.

13. BORROWINGS

	The Group	
	2012	2011
	RMB'000	RMB'000
Short-term bank borrowings	75,080	157,000

At 31 December 2012 and 2011, bank borrowings of RMB70,000,000 (2011: RMB157,000,000) were guaranteed by subsidiaries of the Group.

As at 31 December 2012, bank borrowing of RMB5,080,000 was secured by the land and buildings of RMB10,027,000 (2011: Nil).

The weighted average effective interest rate of the bank borrowings as at 31 December 2012 was 7.36% (2011: 7.23%) per annum.

The carrying amounts of the short-term bank borrowings approximate their fair values.

14. CASH GENERATED FROM OPERATIONS

	2012	2011
	RMB'000	RMB'000
Profit for the year	277,860	221,696
Adjustments for:		
– Income tax expense	91,379	54,630
– Amortisation and depreciation	62,240	48,513
– Loss on disposal of property, plant and equipment	1,077	1,509
– Interest income	(6,461)	(1,147)
– Interest expense	7,358	8,757
– Share issuance costs	–	3,383
– Employee share-based payments	4,063	–
Operating cash flow before working capital changes	437,516	337,341
Change in working capital		
– Receivables and prepayments	(18,989)	(73,849)
– Inventories	7,365	(3,274)
– Trade and other payables	(16,422)	26,232
Cash generated from operations	409,470	286,450

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with the current years' presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year 2012, the China Government has managed to prevent the economy from hard landing. According to the preliminary estimation by the National Bureau of Statistics of China, China's GDP in 2012 grew by approximately 7.8% which was 1.5 percentage points lower than that of the corresponding period in 2011. The retail sales of consumer goods in 2012 grew by approximately 14.3% which was 2.8 percentage points lower than that as compared to last year. Despite the economic slowdown, the economy has been continuously evolving. In fact, the China Government is committed to transform the economy from an export-driven, investment-heavy economic model to a domestic consumption driven economy.

During the year ended 31 December 2012, the Group has delivered a solid performance under this challenging environment. Total sales of the Group for the year 2012 surged 20.8% from 2011. Gross profit margin, EBITDA margin and net profit margin all showed improvement from a year back. Net profit of the Group for the year 2012 surged 25.3% year on year and operating cash flow also increased by 45.1% to RMB339.1 million in 2012 as compared to RMB233.7 million in the year 2011.

SALES

Sales of the Group surged by 20.8% to RMB1,546.5 million in 2012. During the year under review, the Group continued to expand our market share by restructuring the current distribution networks and engaging new distributors to cover new areas or new retail channels. By the end of 2012, the Group had a total number of 231 wholesale distributors and 13 key account agents as compared to a total of 204 wholesale distributors and 10 key account agents, from a year back. Growth in sales remained robust in all regions, ranging from 39.0% in Western China to 17.2% in Central China. The Group's export sales fell by 26.1% to RMB70.2 million or 4.5% of total sales for the year ended 31 December 2012, which was mainly due to a weak demand in overseas market as expected. The Group's total sales via key account agents accounted for 17.2% of total domestic sales for 2012 versus that of 17.8% from a year back.

Jelly products

Sales of jelly products increased by 13.3% from RMB1,007.1 million in 2011 to RMB1,140.6 million in 2012, of which sales attributable to jelly snacks and jelly beverages increased by 5.3% to RMB682.4 million and 27.6% to RMB458.2 million, respectively. Volume growth remained the key driver during the previous year despite the economic slowdown has limited the overall consumption sentiment. Furthermore, various inaccurate rumours on the internet about the quality of jelly products in China and bias media reports against peers placed a short-term affect to the consumer confidence during the year 2012. Therefore, the Company believed that those with both good foundation and brand image will be benefited in a long run. The Group had in the past and will continue to invest in branding, which played a key role to the Group's performance. Furthermore, the Group's commitment in product differentiation, including Sugar-free Jelly, Mango Pudding and so on will significantly enhance the competitiveness of the Group.

Confectionary products

Sales of confectionary products increased by 26.1% as compared to that in the year 2011 to RMB209.7 million in 2012. During the year, the Group has signed up “Angry Bird” patent and launched “Angry Bird” candy series since August 2012. Furthermore, the Group has also conducted a series of Angry Bird theme on-site marketing campaign in the last quarter of 2012. The confectionery products performed strongly in the second half of the year.

Other snacks products

Sales of other snacks products achieved an outstanding growth of 84.6% to RMB196.2 million in 2012. The growth is broad-based as the sales of existing products series delivered growth rate of over 25% and new products series like egg roll and red bean bun were building a good momentum.

COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales increased by 19.0% to RMB913.2 million in 2012. Most of the raw materials cost in 2012 either remained steady if not, lowered than that in 2011. Consequently, the overall gross profit margin in 2012 improved by 1.0 percentage point as compared to that of 2011.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses during 2012 increased by 20.3% to RMB203.5 million primarily due to the Group’s commitment in putting resources to promote our brand and undertake marketing activities. The advertising and promotion expenses increased from RMB96.4 million in 2011 to RMB114.3 million in 2012. Other selling and distribution expenses such as delivery costs and operating cost of sales department, increased in line with sales.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 23.9% to RMB70.0 million in 2012. Whilst the expenses incurred from the initial public offerings of the Company (the “IPO”) in the amount of RMB3.4 million in 2011 did not recur in the year of 2012, the Company incurred employee share-based payments of RMB4.1 million. For further details regarding the issuance of share options, please refer to the announcement of the Company dated 30 March 2012. For the year under review, the Group also incurred extra pre-operating expenses in Anhui production facilities and other professional costs to enhance its corporate governance standard.

INCOME TAX EXPENSES

Income tax expenses increased by 67.3% to RMB91.4 million in 2012 represented an average income tax rate of 24.7% and was 4.9 percentage points higher than that in 2011. This was mainly due to expiry of tax benefit of a Group’s subsidiary during the year which was subjected to standard income tax rate of 25% in 2012 versus 15% in 2011.

NET PROFIT

Net profit of the Group increased by 25.3% to RMB277.9 million in 2012, which was mainly attributable to the Group's commitment in market penetration and expansion of product portfolio which delivered top line growth of 20.8%, cost of most of the raw materials remained low and gross profit margin improved by 1.0 percentage point consequently in 2012 as compared to the corresponding year of 2011. Furthermore, management cost control initiatives were accountable for improvement in profit. On the other hand, the growth of net profit was partially offset by expiry of tax benefit which jetting up the average income tax rate by 4.9 percentage points.

FINANCIAL REVIEW

Financial resources and liquidity

The Group mainly finances its operations and capital expenditure by operating cash flows and banking facilities provided by principal bankers. As at 31 December 2012, the bank balances and deposits amounted to RMB415.7 million (2011: RMB539.9 million). Over 95% of the Group's cash and bank balances were denominated in RMB.

Total borrowings of the Group as at 31 December 2012 decreased by 52.2% to RMB75.1 million. Over 90% of borrowings were denominated in RMB. The Group was in a net cash position (bank balances and deposits less total borrowings) of RMB340.6 million as at 31 December 2012 (2011: RMB382.9 million).

The gearing ratio (based on total borrowings divided by total equity) as at 31 December 2012 was 4.5% (2011: 11.0%). The Group maintains sufficient cash flow and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will continue to make prudent financial arrangements and decisions to address changes in the domestic and international financial environment from time to time.

Inventories

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, other snacks products, raw materials and packaging materials. Inventory balance decreased by 9.1% from RMB80.1 million in 2011 to RMB72.8 million in 2012 mainly due to management initiatives in raw materials procurement control. The inventories turnover days for the year 2012 and 2011 were 21 days and 30 days respectively.

Trade receivables

Trade receivables mainly represent the balance due from customers. The Group typically sells its products on credit and grant 30 days credit to most of the wholesale distributors and 90 days credit to key account agents. Balance increased by 10.8% from RMB243.3 million in 2011 to RMB269.5 million in 2012, which was mainly due to the increase in overall sales in the year 2012. The trade receivables turnover days also increased marginally by 3 days from 48 days in 2011 to 51 days in 2012.

Trade payables

Trade payables mainly represent the balances due to suppliers who generally grant credit terms ranging from 30 – 60 days to the Group. The Group also settled some of the procurement by bank bills which typically have 180 settlement days, at cost of bank charges and pledged deposits to the banks. Trade payables turnover days decreased by 11 days from 86 days in 2011 to 75 days mainly because the Group used less bank bills in procurement during the year.

Cash flow

Cash flow of the Group generated from operating activities surged by 45.1% from RMB233.7 million in 2011 to RMB339.1 million in 2012. During the year under review, the Group spent RMB317.8 million in investing activities mainly for expansion of production facilities. The Group also spent RMB137.2 million in financing activities which primarily represents repayments of bank borrowings and payment of dividends during the year 2012.

Capital expenditure

Given the dynamic consumption sentiment in the PRC and the increasing demand to the Group's products, the Group expands the production capacity from time to time. The Group is building a new factory at Anhui Province to support the markets at Eastern and Central China in the future. In addition, the Group also expanded its production capacity of the existing production plants. The Group spent RMB324.4 million (2011: RMB361.9 million) for capital expenditure in 2012 which was mainly for construction of factories, warehouses and staff quarters and procurement of new machinery and equipment.

CHARGES ON ASSETS

Except for pledged deposit of RMB9.6 million (2011: RMB18.0 million), as at 31 December 2012, the Group had no other charge on assets (2011: Nil).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no contingent liabilities (2011: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2012.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2012, the Group had approximately 2,400 employees (2011: approximately 2,300) and total remuneration expenses for 2012 amounted to RMB92.8 million (2011: RMB83.0 million). The employees' salaries are reviewed and adjusted annually based on employee's performance and experience. The Group has granted 15 million share options to certain eligible employees in 2012. Vesting of the share options is conditional upon the achievement of certain performance target including among others, achievement of strategic goals and financial and

operational performance targets. For details regarding the issuance of share options during the year under review, please refer to the announcement of the Company dated 30 March 2012. The Group's employee benefits also include performance bonus, mandatory provident fund for employees based in Hong Kong, social insurance packages for the employees based in PRC and education subsidy to encourage continuous professional development for staffs.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the securities of the Company during the year ended 31 December 2012.

EVENTS AFTER THE BALANCE SHEET DATE

On 25 February 2013, the Company as borrower entered into a Facility Agreement (the "Facility Agreement") with certain banking institutes as original lenders in relation to a US\$75,000,000 term loan facility. The Facility has a term of 36 months commencing from the date of the Facility Agreement.

The Facility Agreement includes a condition imposing specific performance obligations on Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong, the controlling shareholders of the Company (the "Controlling Shareholders") who are collectively interested in approximately 64.10% of the issued share capital of the Company as of the date of the Facility Agreement. It will be a change of control in the event that (i) the Controlling Shareholders collectively do not or cease to, at any time directly or indirectly own at least 35% of the issued share capital of the Company on a fully diluted basis; or (ii) the Controlling Shareholders collectively do not or cease to, at any time directly or indirectly, have the ability to direct the affairs of the Company.

If a change of control occurs, the facility agent to the Facility Agreement may cancel all the available Facility and declare all or part of the outstanding loan, together with all accrued interests, breaks costs (if any) and all other amounts accrued pursuant to the Facility Agreement then due and payable, whereupon the Facility Agreement will be cancelled and all such outstanding amounts will be immediately due and payable.

PROSPECTS

For the year 2013, China Government has indicated to maintain GDP growth rate of 7.5% which is marginally lower than that of 2012, keeping inflation steady at 3.5%. Meanwhile, the China Government will persistently enhance the domestic consumption to shift the economic model from export driven to domestic consumption driven. It is anticipated that they will run record budget deficit in the year 2013 to boost spending on social welfare and expedite urbanisation process. A huge consumption capacity is being released gradually both in term of consumption sentiment and number of consumers in the market. In order to capture this opportunity, the Group continuously invests in branding, market penetration and product innovation and diversification. In addition, first stage of the production facilities in Anhui Province will commence operation in mid-2013. The production capacity of jelly products will be increased to 300,000 tonnes per annum and the Group's distribution logistic, in particular the Central China region, will also be further enhanced. The Group will also launch new beverage products in the second quarter of 2013 and will actively market these new products. This includes new television advertisements and engaging spokesperson of the Group's new products. The Group will remain cautious and limit its advertising and promotion expenses at the range of 10% of the Group's total sales. Going forward, the Group is committed to continuously offer high quality products for its consumers while delivering solid sustainable growth for its shareholders.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established in compliance with Rule 3.21 and 3.22 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Yau Tong (chairman), Mr. Li Zhi Hai and Ms. Sun Kam Ching.

The Audit Committee has reviewed with management and the Group’s auditor the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 December 2012. The Audit Committee has also reviewed the annual results for the year ended 31 December 2012.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group’s results for the year ended 31 December 2012 have been agreed by the Group’s auditor, PricewaterhouseCoopers. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagements, or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to promote good corporate governance to safeguard the interests of its shareholders with a view to enhance investor confidence and the Company’s accountability and transparency. The Company set out its corporate governance practices by reference to the CG Code as set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2012, the Company has complied with, and there has been no deviation to, the code provisions set forth under the CG Code.

Further information of the corporate governance practice of the Company will also be set out in the annual report of the Company for the year ended 31 December 2012.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. The Company has made specific enquiry of all Directors and all the Directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors’ securities transactions throughout the year ended 31 December 2012.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**AGM**”) will be held on Thursday, 23 May 2013. The notice of the AGM will be published and despatched to the shareholders of the Company’s in the manner as required by the Listing Rules in due course.

In order to determine the identity of the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 22 May 2013 to Thursday, 23 May 2013 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai Hong Kong, not later than 4:30 pm on Tuesday, 21 May 2013.

PROPOSED FINAL DIVIDENDS AND BOOK CLOSURE FOR ENTITLEMENT OF THE PROPOSED DIVIDEND

The Board has recommended the payment of a final dividend of HKD8 cents per ordinary share of the Company in respect of the year ended 31 December 2012. Subject to the approval of shareholders at the forthcoming AGM, the final dividend will be paid on or about Monday, 17 June 2013.

In order to qualify for the above mentioned final dividend, the register of members of the Company will be closed from Wednesday, 29 May 2013 to Thursday, 30 May 2013 (both dates inclusive). In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai Hong Kong, not later than 4:30 pm on Tuesday, 28 May 2013.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Company for the year ended 31 December 2012 is published on the website of the Company at www.lbxxgroup.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2012 will be despatched to shareholders and available at the same websites in due course.

For and on behalf of the Board
Labixiaoxin Snacks Group Limited
Zheng Yu Long
Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the Directors are Zheng Yu Long, Zheng Yu Shuang and Zheng Yu Huan as executive Directors, Li Hung Kong as non-executive Director and Sun Kam Ching, Li Zhi Hai and Chung Yau Tong as independent non-executive Directors.

This announcement is available for viewing on the website of the Company at www.lbxxgroup.com and the website of the Stock Exchange at www.hkexnews.hk.