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 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2014	2013	Change
	RMB' million	*RMB' million*	+/(-)%
Key income statement items			
Sales	**1,128.9**	1,833.8	-38.4%
Gross profit	**380.9**	751.8	-49.3%
EBITDA(1)	**146.0**	526.7	-72.3%
Profit for the year	**11.1**	326.4	-96.6%
Key performance indicators			
Gross profit margin	**33.7%**	41.0%	-7.3%pts
EBITDA margin	**12.9%**	28.7%	-15.8%pts
Net profit margin	**1.0%**	17.8%	-16.8%pts
Return on equity(2)	**0.6%**	18.0%	-17.4%pts
Earnings per share			
– Basic	**RMB0.01**	RMB0.29	-96.6%
– Diluted	**RMB0.01**	RMB0.29	-96.6%

1. EBITDA refers to earnings before interests, income tax, depreciation and amortisation and non-cash share-based payments.

2. Return on equity is calculated using profit for the year divided by average of monthly ending equity balance for the year.

The Board of Directors (the "Board") of Labixiaoxin Snacks Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014, together with comparative figures for the year ended 31 December 2013. The directors do not recommend the payment of a final dividend for the year ended 31 December 2014. The audited consolidated results for the year ended 31 December 2014 have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Sales	*3*	**1,128,925**	1,833,795
Cost of sales	*6*	**(748,052)**	(1,082,033)
Gross profit		**380,873**	751,762
Other income	*4*	**19,521**	7,636
Other (losses)/gains, net	*5*	**(6,243)**	6,467
Selling and distribution expenses	*6*	**(273,765)**	(246,907)
Administrative expenses	*6*	**(89,708)**	(74,005)
Operating profit		**30,678**	444,953
Finance income		**10,175**	11,781
Finance costs		**(12,245)**	(7,693)
Finance (costs)/income, net	*7*	**(2,070)**	4,088
Profit before income tax		**28,608**	449,041
Income tax expense	*8*	**(17,494)**	(122,659)
Profit and total comprehensive income for the year		**11,114**	326,382
Earnings per share attributable to equity holders of the Company *(RMB per share)*	*9*		
– Basic		**0.01**	0.29
– Diluted		**0.01**	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	**2014**	2013
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**144,290**	147,606
Property, plant and equipment		**1,268,097**	1,199,013
Deposits for property, plant and equipment		**98,130**	101,881
Deferred income tax assets		**25,534**	23,790
		1,536,051	1,472,290
Current assets			
Inventories		**93,432**	85,339
Trade receivables	*11*	**175,308**	295,431
Prepayments and other receivables		**54,245**	41,334
Pledged bank deposits		**4,374**	16,214
Cash and cash equivalents		**411,774**	792,196
		739,133	1,230,514
Total assets		**2,275,184**	2,702,804
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*14*	**405,030**	406,133
Share premium	*14*	**563,056**	566,809
Other reserves		**85,352**	71,095
Retained earnings		**893,147**	886,875
Total equity		**1,946,585**	1,930,912
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**28,733**	28,450
Borrowings	*13*	**–**	386,526
		28,733	414,976
Current liabilities			
Trade and other payables	*12*	**180,320**	261,377
Borrowings	*13*	**115,277**	63,459
Current income tax liabilities		**4,269**	32,080
		299,866	356,916
Total liabilities		**328,599**	771,892
Total equity and liabilities		**2,275,184**	2,702,804
Net current assets		**439,267**	873,598
Total assets less current liabilities		**1,975,318**	2,345,888

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014**	2013
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	*15*	**164,990**	465,382
Income tax paid		**(46,766)**	(124,370)
Net cash generated from operating activities		**118,224**	341,012
Cash flows from investing activities			
Purchase of property, plant and equipment		**(164,691)**	(189,129)
Deposits paid for property, plant and equipment		**(1,790)**	(69,061)
Proceeds from disposal of property, plant and equipment		**8,953**	3,026
Interest received		**10,175**	11,781
Net cash used in investing activities		**(147,353)**	(243,383)
Cash flows from financing activities			
Proceeds from borrowings		**–**	445,500
Repayments of borrowings		**(334,708)**	(70,595)
Decrease/(increase) in pledged bank deposits		**11,840**	(6,610)
Proceeds from issuance of new shares upon exercise of share options		**–**	14,820
Proceeds from issue of warrants		**858**	–
Payment for repurchase of ordinary shares		**(4,856)**	–
Dividends paid		**–**	(72,038)
Interest paid		**(24,427)**	(22,616)
Net cash (used in)/generated from financing activities		**(351,293)**	288,461
Net (decrease)/increase in cash and cash equivalents		**(380,422)**	386,090
Cash and cash equivalents at the beginning of the year		**792,196**	406,106
Cash and cash equivalents at the end of the year		**411,774**	792,196

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 jelly products, confectionary products, beverages products and other snacks products.

The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated. The financial statements have been approved for issue by the Board of Directors on 17 March 2015.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which collective term includes all International Accounting Standards ("IAS") and related interpretations, as issued by the International Accounting Standards Board (the "IASB").The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

Application of new and revised International Financial Reporting Standards ("IFRSs")

In the current year, the Company has applied, for the first time, the following new standards, amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB"), which are effective for the Company's financial year beginning 1 January 2014. A summary of the new IFRSs are set out as below:

IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment Entities
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments)	Recoverable Amount and Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies

The nature of the impending changes in accounting policy on adoption is described below.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

IFRIC – Int 21 Levies

The Group has applied IFRIC – Int 21 Levies for the first time in the current year. IFRIC – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[6]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[3]
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operation[3]
IFRS 14	Regulatory Deferral Accounts[4]
IFRS 15	Revenue from Contracts with Customers[5]
IAS 1 (Amendments)	Disclosure Initiative[3]
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants[3]
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[1]
IAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle[2]
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle[1]
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle[3]

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted
[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
[4] Effective for an entity that first adopts IFRS for its annual financial statements beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted
[6] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described below:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10:

– An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

– New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 28:

– The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

– A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

– A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The Directors do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operation

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/IFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to IFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to IFRS 14 will have a material impact on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer
– Step 2: Identify the performance obligations in the contract
– Step 3: Determine the transaction price
– Step 4: Allocate the transaction price to the performance obligations in the contract
– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amendments can be applied immediately and become mandatory for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The Directors do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

– At cost

– In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or

– Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First time Adoption of International Financial Reporting Standards.

The Directors do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sale of jelly products, confectionary products, beverages products and other snacks 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. Beverages products
iv. Other snacks 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 profit or loss and other comprehensive income.

During the year ended 31 December 2014, none of the individual customer account for 10% or more of the Group's external revenue (2013: none). As at 31 December 2014 and 2013, substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

	Year ended 31 December 2014				
	Jelly products *RMB'000*	**Confectionary products** *RMB'000*	**Beverages products** *RMB'000*	**Other snacks products** *RMB'000*	**Reportable segments total** *RMB'000*
Revenue					
Sales to external customers	**772,732**	**173,597**	**49,694**	**132,902**	**1,128,925**
Cost of sales	**(493,609)**	**(108,592)**	**(44,725)**	**(101,126)**	**(748,052)**
Gross profit	**279,123**	**65,005**	**4,969**	**31,776**	**380,873**
Results of reportable segments	**91,868**	**22,845**	**(7,077)**	**(529)**	**107,107**

	Jelly products *RMB'000*	Confectionary products *RMB'000*	Beverages products *RMB'000*	Other snacks products *RMB'000*	Reportable segments total *RMB'000*
	Year ended 31 December 2014				

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

Results of reportable segments					**107,107**
Corporate income					**23,928**
Corporate expenses					**(100,357)**
Operating profit					**30,678**
Finance income					**10,175**
Finance costs					**(12,245)**
Profit before income tax					**28,608**
Income tax expense					**(17,494)**
Profit for the year					**11,114**
Amortisation of land use rights	**2,381**	**–**	**935**	**–**	**3,316**
Depreciation of property, plant and equipment	**69,196**	**–**	**29,846**	**4,417**	**103,459**

	Jelly products *RMB'000*	Confectionary products *RMB'000*	Beverages products *RMB'000*	Other snacks products *RMB'000*	Reportable segments total *RMB'000*
	Year ended 31 December 2013				
Revenue					
Sales to external customers	1,291,895	235,788	49,701	256,411	1,833,795
Cost of sales	(741,854)	(141,916)	(38,706)	(159,557)	(1,082,033)
Gross profit	550,041	93,872	10,995	96,854	751,762
Results of reportable segments	376,096	62,125	4,304	62,330	504,855

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

Results of reportable segments					504,855
Corporate income					17,706
Corporate expenses					(77,608)
Operating profit					444,953
Finance income					11,781
Finance costs					(7,693)
Profit before income tax					449,041
Income tax expense					(122,659)
Profit for the year					326,382
Amortisation of land use rights	2,381	–	935	–	3,316
Depreciation of property, plant and equipment	67,932	–	1,323	6,389	75,644

Geographical information

During the years ended 31 December 2014 and 2013, the Group mainly operated in the PRC and most of the Group's turnover are derived from the PRC and most of the assets of the Group are located in the PRC as at 31 December 2014 and 31 December 2013. No analysis of the Group's result and assets by geographical area is disclosed.

4 OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Rental income	**1,272**	646
Government subsidy	**18,249**	6,990
	19,521	7,636

5 OTHER (LOSSES)/GAINS, NET

	2014	2013
	RMB'000	*RMB'000*
Gain on sales of raw materials and scrap materials	**1,715**	3,352
Loss on disposal of property, plant and equipment	**(918)**	(3,603)
Net exchange (losses)/gains	**(7,040)**	6,718
	(6,243)	6,467

6 EXPENSES BY NATURE

	2014	2013
	RMB'000	*RMB'000*
Purchases of raw materials, finished goods and consumables	**599,846**	951,852
Changes in inventories of raw materials and finished goods	**(8,093)**	(12,570)
Advertising and promotion expenses	**217,344**	191,924
Employee benefit expenses (including directors' emoluments)	**109,073**	108,425
Depreciation of property, plant and equipment	**103,459**	75,644
Amortisation of land use rights	**3,316**	3,316
Freight and transportation expenses	**4,291**	3,691
Auditors' remuneration	**3,004**	3,736
Other expenses	**79,285**	76,927
Total cost of sales, selling and distribution and administrative expenses	**1,111,525**	1,402,945

7 FINANCE (COSTS)/INCOME, NET

	2014	2013
	RMB'000	*RMB'000*
Interest expense on bank borrowings:		
– wholly repayable within five years	**(24,427)**	(22,616)
Less: amounts capitalised on qualifying assets	**12,182**	14,923
Finance costs	**(12,245)**	(7,693)
Less: interest income on bank deposits	**10,175**	11,781
Finance (costs)/income, net	**(2,070)**	4,088

8 INCOME TAX EXPENSE

	2014 *RMB'000*	2013 *RMB'000*
Current income tax – PRC	**17,938**	129,297
Deferred income tax	**(444)**	(6,638)
	17,494	122,659

During the year ended 31 December 2014, the Group did not have any assessable income in Bermuda, BVI and Hong Kong (2013: Nil).

The subsidiaries in the PRC are subject to income tax rate of 25% (2013: 25%) on their taxable profit during the year.

9 EARNINGS PER SHARE

(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.

	2014	2013
Net profit attributable to the equity holders of Company *(RMB'000)*	**11,114**	326,382
Weighted average number of ordinary shares in issue for basic earnings per share *('000)*	**1,132,133**	1,128,649
Basic earnings per share *(RMB per share)*	**0.01**	0.29

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing 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 and the outstanding warrants. The potential ordinary shares in respect of the Company's outstanding share options and the outstanding warrants are anti-dilutive for the year ended 31 December 2014 while the share options were dilutive for the year ended 31 December 2013.

	2013
Net profit attributable to the equity holders of Company *(RMB'000)*	326,382
Weighted average number of ordinary shares outstanding for basic earnings per share *('000)*	1,128,649
Adjustment for share options *('000)*	2,758
Weighted average number of ordinary shares outstanding for basic earnings per share *('000)*	1,131,407
Diluted earnings per share *(RMB per share)*	0.29

10 DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

11 TRADE RECEIVABLES

The Group's sales are generally on credit term ranging from 30 to 90 days. As at 31 December 2014, the ageing analysis of trade receivables, based on invoice date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Less than 30 days	**116,530**	206,575
31 days – 90 days	**56,844**	88,821
Over 90 days	**1,934**	35
	175,308	295,431

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 2014, trade receivables of RMB1,934,000 (2013: RMB35,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of these receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
Past due by less than 3 months but not impaired	**1,934**	35

During the year ended 31 December 2014, no trade receivables were impaired (2013: Nil). As at 31 December 2014 and 2013, no trade receivables are considered to be impaired.

The carrying amounts of trade receivables approximate their fair values.

12 TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**106,897**	133,477
Bills payable	**–**	27,372
Trade and bills payables	**106,897**	160,849
Accrued sales rebates	**5,174**	33,311
Other accrued expenses	**11,094**	15,368
Directors' fees and emoluments payable	**10,902**	9,135
Other payables and sundry creditors	**46,253**	42,714
	180,320	261,377

The credit periods granted by suppliers generally range from 30 to 60 days. As at 31 December 2014, the ageing analysis of trade payables is as follows:

	2014	2013
	RMB'000	*RMB'000*
Less than 30 days	**94,831**	114,537
31 days – 90 days	**11,897**	18,012
Over 90 days	**169**	928
	106,897	133,477

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

13 BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Non-current	**–**	386,526
Current	**115,277**	63,459
	115,277	449,985

As at 31 December 2014, the maturity of bank borrowings is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year or on demand	**115,277**	63,459
Between 1 and 2 years	**–**	225,725
Between 2 and 5 years	**–**	160,801
Wholly repayable within 5 years	**115,277**	449,985
Over 5 years	**–**	–
Total bank borrowings	**115,277**	449,985

On 25 February 2013, the Company has entered into a facility agreement (the "Facility Agreement") with certain banking institutes in relation to a US$75,000,000 term loan facility (the "Facility"). The Facility was charged at a floating interest rate of LIBOR + 3.5% which was re-pricing every 3 months. The Facility was fully utilised during the year ended 31 December 2013. As at 31 December 2014, the Facility was pledged by shares of certain wholly-owned subsidiaries of the Company and bank deposit of RMB4,374,000 (2013: RMB8,966,000). The Facility has an original term of 36 months commencing from the date of the Facility Agreement. However, in 2014, the Company has triggered certain potential event of defaults and the Company and the lenders have been mutually agreed a new repayment schedule to fully repay the Facility in 2015 and the Company has been waived from the potential event of defaults. As at 31 December 2014, the remaining balance of the Facility was approximately RMB111,260,000 (equivalent to USD18,750,000). And the Facility was fully settled subsequent to the year end.

As at 31 December 2014, the bank borrowing of RMB4,017,000 was secured by the land and buildings of RMB9,003,000 and charged at HIBOR + 2.25% (2013: the bank borrowing of RMB4,485,000 was secured by the land and buildings of RMB9,515,000). Such borrowing was re-pricing every month.

All borrowings approximate their carrying amount. The carrying amounts of the borrowings are denominated in the following currencies:

	2014	2013
	RMB'000	*RMB'000*
HK dollar	**4,017**	4,485
USD	**111,260**	445,500
	115,277	449,985

The weighted average effective interest rate of the bank borrowings as at 31 December 2014 was 3.77% (2013: 3.80%) per annum.

14 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital

As at 31 December 2014, the total authorised share capital of the Company was US$250,000,000 (2013: US$250,000,000).

Issued share capital

	Number of Shares	**Amount**		
	Issued share capital	**Share capital**	**Share premium**	**Total share capital and share premium**
		RMB'000	*RMB'000*	*RMB'000*
The Company				
As at 1 January 2013	1,125,600,000	403,984	550,787	954,771
Exercise of share options during the year	7,000,000	2,149	16,022	18,171
As at 31 December 2013 and 1 January 2014	1,132,600,000	406,133	566,809	972,942
Repurchase and cancellation of ordinary shares during the year	(3,623,000)	(1,103)	(3,753)	(4,856)
As at 31 December 2014	1,128,977,000	405,030	563,056	968,086

Note:

(a) Pursuant to a directors' resolution passed on 7 July 2014, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate cost paid**
July 2014	3,623,000	HK$1.89	HK$1.55	HK$6,227,000 (equivalent to RMB4,856,000)

All the repurchased ordinary shares were cancelled at 14 November 2014.

15 CASH GENERATED FROM OPERATIONS

	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**11,114**	326,382
Adjustments for:		
– Income tax expense recognised in profit or loss	**17,494**	122,659
– Amortisation and depreciation	**106,775**	78,960
– Loss on disposal of property, plant and equipment	**918**	3,603
– Interest income	**(10,175)**	(11,781)
– Finance costs recognised in profit or loss	**12,245**	7,693
– Employee share-based payments	**8,557**	2,810
Operating cash flow before working capital changes	**146,928**	530,326
Change in working capital		
– Trade receivables, prepayments and other receivables	**107,212**	(56,344)
– Inventories	**(8,093)**	(12,570)
– Trade and other payables	**(81,057)**	3,970
Cash generated from operations	**164,990**	465,382

16 EVENTS AFTER THE REPORTING PERIOD

In May 2014, PricewaterhouseCoopers ("PwC") has resigned as auditors of the Company and the board of directors has appointed HLB Hodgson Impey Cheng Limited as the new auditors of the Company to fill the vacancy immediately following the resignation of PwC and to hold office until the conclusion of the forthcoming annual general meeting of the Company. According to terms of the Facility, the captioned events constituted a potential event of default. Nevertheless, the lenders of the term loan have waived the potential event of default and the Company has agreed to repay in full the term loan by not later than 25 February 2015 according to a revised repayment schedule.

As at the date of the consolidated financial statements, all the term loan had been settled.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the Group reported sales of approximately RMB1,128.9 million which dropped by 38.4% as compared with last year. Such significant decrease was primarily attributable to the reporting of certain media in the PRC, including the CCTV news, in mid-March 2014 in relation to the use of toxic gelatin by certain enterprises in their food production and alleged contamination of gummy candy of "Labixiaoxin" and other brands by toxic gelatin used in the production process (the "Toxic Gelatin Incidence"). While the sales of gummy candy accounted for an insignificant proportion of the total sales of the Group, as a result of the Toxic Gelatin Incidence, certain retailers had requested the Group to remove all "Labixiaoxin" products from their shelves, and the Group has recorded a sales return of the Group's products in the amount of RMB133.3 million during the year. Furthermore, the Group has granted additional one-off sales discounts to certain distributors to promote sales upon the occurrence of the Toxic Gelatin Incidence, which in turn reduced the gross profit margin of the Group. As a result, the gross profit margin and EBITDA margin of the Group for the year ended 31 December 2014 decreased by approximately 7.3 percentage points and 15.8 percentage points, as compared to 2013, while the net profit of the Group for the year ended 31 December 2014 was RMB11.1 million which was significantly lower than 2013.

On 25 March 2014, the Group received a quality assurance confirmation from Fujian Food and Drug Administration (福建省食品藥品監督管理局) confirming that "Labixiaoxin" products are in compliance with the relevant food quality standards in the PRC. The Group's Special Review Committee, comprising all the independent non-executive directors of the Company, also conducted independent special review on the Group's product quality, based on the findings under the product quality legal due diligence conducted by Jingtian & Gongcheng Law Firm. As at the date of this announcement, the Group's products are back on shelves and available in the retail channels and are accessible by the consumers.

SALES

Sales for 2014 had decreased by 38.4% to RMB1,128.9 million when compared with 2013. Though the sales dropped during 2014, the expansion of the distribution network continued throughout the year under review. As at 31 December 2014, the Group had a total number of 398 wholesale distributors and key account agents, the sales generated from the new distributors, net of terminated distributors, represented 3.2% of the total domestic sales in 2014. Sales via key account agents was RMB168.8 million or 15.3% of total domestic sales and sales via wholesale distributors was RMB931.0 million or 84.7% of total domestic sales.

Jelly products

Sales of jelly products had decreased by 40.2% from RMB1,291.9 million in 2013 to RMB772.7 million in 2014. Such decrease was primarily due to sales return, additional one-off sales discounts given to the distributors during the period and weak consumer demand on jelly products after the Toxic Gelatin Incidence. Sales attributable to jelly snacks and jelly beverages products decreased by 39.8% to RMB460.6 million and 40.7% to RMB312.1 million respectively. In November 2014, the Group has launched lactic acid bacteria series jelly and beverages products as a new series to its product portfolio. This new series of products has been well received by the customers.

Confectionary products

Sales of confectionary products decreased by 26.4% to RMB173.6 million in 2014 mainly due to sales return during the year and weak consumer demand as a result of the Toxic Gelatin Incidence.

Beverages products

Sales of beverages products was amounted to RMB49.7 million in 2014, representing 4.4% of the total sales of the Group. Despite the impact of the Toxic Gelatin Incidence on the Group's products under the brandname "Labixiaoxin", the sales of "Xiaoxin Ru Guo" flavored milk remained promising. The Group has launched chocolate and probiotic flavors tetra-pack during the year and has been well received by the market.

Other snacks products

Sales of other snacks products decreased by 48.2% to RMB132.9 million which was mainly due to weak consumer demand on traditional snacks products after the Toxic Gelatin Incidence.

COST OF SALES AND GROSS PROFIT

Cost of sales decreased by 30.9% to RMB748.1 million in 2014 which was consistent with the decrease in sales volume. Gross profit decreased by 49.3% to RMB380.9 million in 2014 which was mainly due to sales return and one-off sales discount given to the distributors during the year. Costs of most of the major raw materials were fairly stable as compared with last year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 10.9% to RMB273.8 million in 2014 despite of the decrease in sales. This was primarily due to increased advertising and promotion expenses by 13.2% to RMB217.3 million during the year under review. The general market demand on the Group's products was weak since the Toxic Gelatin Incidence, the Group, as with other market peers, was facing similar challenges. Nonetheless, the Group considered the Toxic Gelatin Incidence an opportunity to expand its market shares and continuously enhanced the media exposure and arranged more on-site promotion under such difficult environment with a view to delivering a positive message to the consumers and attracting more attention in the market. In addition, the Group has also launched lactic acid bacteria series jelly and beverages products as a new series to its product portfolio in November 2014 which entail greater media coverage.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 21.2% to RMB89.7 million in 2014 which was mainly due to the operating expenses in the new production plant at Anhui Province, the PRC and the share options expenses attributable to the granting of 33,000,000 share options to certain employees in September 2014 of RMB6.7 million.

OTHER (LOSSES)/GAINS, NET

Balance primarily comprised of net exchange (losses)/gains, loss on disposal of machinery and equipment and net gain from the sales of raw materials and scrap materials. During the year 2014, the Group incurred other net losses of RMB6.2 million, which was mainly attributable to the exchange loss as a result of bank loan settlement during the year.

INCOME TAX EXPENSE

During the year under review, the Group's income tax expense decreased by 85.7% to RMB17.5 million, which was mainly due to drop in taxable profits of the Group as a result of sales return, one-off sales discounts and weak market demand on the Group's products since the Toxic Gelatin Incidence. The effective tax rate increased to 61.2% mainly because the Group has higher proportion from offshore expenses which were not tax deductible.

NET PROFIT FOR THE YEAR

The net profit of the Group was RMB11.1 million for 2014, which was significantly lowered than 2013. This was mainly due to impact of the Toxic Gelatin Incidence, which had affected the Group's sales and gross profit significantly. The Group, on the other hand, continuously increased its advertising and promotional expenses to expand its market share under this extraordinary situation. Consequently, the Group's short term financial performance was affected.

FINANCIAL REVIEW

Financial resources and liquidity

The Group mainly finances its operations and capital expenditure by cash and cash equivalents, internal generated cash flows and bank borrowings.

As at 31 December 2014, the bank balances and pledged bank deposits amounted to RMB416.1 million, representing a decreased of RMB392.3 million as compared with the balance as at 31 December 2013. The decrease was mainly due to repayment of bank loans of RMB334.7 million and the capital expenditure of the Group of RMB164.7 million. The Group has recorded a cash inflow from operation of RMB118.2 million which was RMB222.8 million less than the year ended 31 December 2013 mainly due to the Toxic Gelatin Incidence. However, despite the extraordinary market conditions subsequent to the Toxic Gelatin Incidence, the Group maintained a net cash position as at 31 December 2014. As at 31 December 2014, over 90% of the Group's cash and bank balances were denominated in RMB while over 90% of the Group's borrowings were denominated in USD. The Group's gearing ratio (total borrowings divided by total equity) as at 31 December 2014 decreased to 5.9% (31 December 2013: 23.3%).

The Directors believe that the Group has maintained sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will, from time to time, make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group recorded net cash inflow from operating activities of RMB118.2 million in 2014, a decrease of 65.3% from 2013, mainly due to poor business performance after the Toxic Gelatin Incidence. The Group has also engaged in investing activities of RMB147.4 million in 2014 mainly for the expansion of production lines for the beverages products. In addition, the Group has net cash outflow from financing activities of RMB351.3 million in 2014 mainly due to repayment of bank loans of RMB334.7 million.

Capital expenditure

During the year, the Group has expended RM164.7 million in capital expenditure mainly for the expansion of production lines for the beverages products in production plant at Anhui Province, the PRC. The new production lines were mainly for tetra-pack beverages products and has commenced test running during the year.

The above capital expenditure was primarily financed by the bank borrowings under the syndicated bank loan and operating cash flows.

Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, beverages products and other snacks products, as well as raw materials and packaging materials. As at 31 December 2014, the balance increased by RMB8.1 million from the beginning of the year mainly due to more raw materials were procured for the sales orders of coming Chinese New Year. The inventories turnover days for 2014 and 2013 were 41 days and 23 days, respectively.

Trade receivables

Trade receivables mainly represent the balances due from wholesale distributors and key account agents. The Group typically sells its products on credit and grants a 30-day credit period to most of its wholesale distributors and a 90-day credit period to its key account agents. Such balance decreased by RMB120.1 million from the beginning of the year mainly due to weaker sales performance in 2014 as a result of the Toxic Gelatin Incidence. The trade receivables turnover days for 2014 and 2013 were 61 days and 45 days, respectively.

Trade payables

Trade payables mainly represent the balances due to the Group's suppliers who generally grant credit terms ranging from 30 days to 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 for 2014 and 2013 were 57 days and 57 days, respectively.

Borrowings

As at 31 December 2014, the outstanding balance under the Facility Agreement (as defined below) was amounted to RMB111,260,000. The amount was settled in full subsequent to the year end.

Charges on assets

As at 31 December 2014, the Group had the following charges assets:

(i) pledged bank deposits of RMB4.4 million (31 December 2013: RMB16.2 million);

(ii) land and building with net asset value of RMB9.0 million was pledged as security for mortgage loan (31 December 2013: RMB9.5 million); and

(iii) shares of certain wholly-owned subsidiaries of the Group.

Contingent liabilities

As at 31 December 2014, the Group had no contingent liabilities (31 December 2013: Nil).

Disclosure pursuant to Rule 13.18 of the Listing Rules

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 for a term of 36 months commencing from the date of the Facility Agreement.

The Facility Agreement included 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 were collectively interested in approximately 64.10% of the issued share capital of the Company as at the date of the Facility Agreement. It will result in 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.

USE OF PROCEED FROM WARRANTS ISSUANCE

Reference is made to the announcement of the Company dated 18 August 2014 in relation to the entering of subscription agreements, pursuant to which, the Company has conditionally agreed to issue 110,000,000 unlisted warrants at HK$0.01 each (the "Warrants Issuance"). As stated in the announcement of the Company dated 18 August 2014, a net proceeds of approximately HK$900,000 has been raised by the Company pursuant to the Warrants Issuance, and such net proceeds shall be utilised by the Group as general working capital of the Group and capital expenditures of the Group. The Company would like to update the shareholders and potential investors of the Company that, as at 31 December 2014, all of the net proceeds from the Warrants Issuance have been utilized in accordance with the proposed utilization.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 1,900 employees and total remuneration expenses for 2014 amounted to RMB109.1 million including amortisation cost of share options in the amount of RMB8.6 million. The employees' salaries are reviewed and adjusted annually based on employees' performance and experience. The Group's employee benefits include performance bonus, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.

On 30 September 2014, the Group granted 33,000,000 share options to certain employees of the Group with an exercise period from 1 October 2014 to 30 September 2019 at an exercise price of HK$1.19 per share. All these share options were immediately vested. As at 31 December 2014, all these share options were not yet exercised.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year under review, the Company had repurchased from the market a total of 3,623,000 shares of the Company at price per share ranging from HK$1.55 to HK$1.89 for an aggregate consideration of HK$6,227,000. 3,623,000 repurchased shares were subsequently cancelled on 14 November 2014. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the listed securities were as follows:

Month of repurchase	Number of listed securities repurchased	Highest price per share	Lowest price per share	Aggregate purchase price
Repurchase of shares in July 2014	3,623,000	HK$1.89	HK$1.55	HK$6,227,000

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies during the year of 2014 (2013: Nil).

CHANGE OF AUDITORS

On 12 May 2014, PricewaterhouseCoopers ("PwC") has resigned as auditors of the Group. The Board has appointed HLB Hodgson Impey Cheng Limited ("HLB"), as the new auditors of the Company to fill the vacancy immediately following the resignation of PwC.

Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

PROSPECT

The Toxic Gelatin Incidence had directly affected the Group's brand image and consumer sentiment on jelly, candies and certain traditional snacks in the community. Although the relevant government authority in the PRC had confirmed that "Labixiaoxin" products had complied with the necessary food safety standards in the PRC, the Group's sales had been negatively affected. The Toxic Gelatin Incidence had affected the entire industry, including the Group's market competitors as well as the Group. It is contemplated that the extraordinary market situation will lead to a market consolidation. The Group considers the extraordinary market situation presented an opportunity to expedite the Group's market share expansion. Therefore, the Group had proactively increased its media exposure and collaborating with distributors and retailers to arrange more on-site promotional activities. The Group is also upgrading its product series to offer a better choice to the consumers e.g. the new lactic acid bacteria series jelly and beverages products. Although this would result in short term pressure on the Group's financial performance, the Directors consider the expansion beneficial to the long term development of the Group's business. The Group is cautiously optimistic to the medium to long term of the business.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in compliance with Rule 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices (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 Company'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 2014. The Audit Committee has also reviewed the annual results for the year ended 31 December 2014.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's audited consolidated financial statement for the year. The work performed by HLB 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 HLB on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to promote good corporate governance to safeguard the interests of shareholders. The Company set out its corporate governance practices by reference to the CG Code as set out in Appendix 14 to the Listing Rules. Since the date of the Listing and up to 31 December 2014, the Company has complied with the code provisions set forth under the CG Code.

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 during the year under review.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Company for the year ended 31 December 2014 is published on the website of the Company at *www.lbxxgroup.com* and the website of the Stock Exchange at *www.hkexnews.hk*. The annual report of the Company for the year ended 31 December 2014 will be dispatched 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, 17 March 2015

As at the date of this announcement, the Directors of the Company are Zheng Yu Long, Zheng Yu Shuang and Zheng Yu Huan as executive Directors, Li Hung Kong and Ren Yunan as non-executive Directors 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.