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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2015	2014	Change
	RMB' million	RMB' million	+/(-)%
Key income statement items			
Revenue	1,047.4	1,128.9	-7.2%
Gross profit	304.8	380.9	-20.0%
EBITDA ¹	121.3	146.0	-16.9%
(Loss)/profit for the year	(338.2)	11.1	N/A
Key performance indicators			
Gross profit margin	29.1%	33.7%	-4.6%pts
EBITDA margin	11.6%	12.9%	-1.3%pts
Net (loss)/profit margin	-32.3%	1.0%	N/A
Return on equity ²	-17.6%	0.6%	N/A
(Loss)/earnings per share			
– Basic	RMB(0.30)	RMB0.01	N/A
– Diluted	RMB(0.30)	RMB0.01	N/A

1. EBITDA refers to (loss)/profit before interests, income tax, depreciation, amortisation, non-cash share-based payments and impairment loss on property, plant and equipment.
2. Return on equity is calculated using (loss)/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 2015, together with comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	<i>Note</i>	2015 RMB'000	2014 <i>RMB'000</i>
Revenue	3	1,047,368	1,128,925
Cost of sales		(742,609)	(748,052)
Gross profit		304,759	380,873
Other income and gain	4	15,857	21,236
Other losses	5	(15,379)	(7,958)
Impairment loss on property, plant and equipment		(317,000)	–
Selling and distribution expenses		(200,778)	(273,765)
Administrative expenses		(116,241)	(89,708)
Operating (loss)/profit		(328,782)	30,678
Finance income		9,114	10,175
Finance costs		(8,994)	(12,245)
Finance income/(costs), net	6	120	(2,070)
(Loss)/profit before taxation	7	(328,662)	28,608
Tax expense	8	(9,559)	(17,494)
(Loss)/profit and total comprehensive income for the year		(338,221)	11,114
(Loss)/earnings per share attributable to equity holders of the Company (<i>RMB per share</i>)	9		
– Basic		(0.30)	0.01
– Diluted		(0.30)	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	<i>Note</i>	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights		140,974	144,290
Property, plant and equipment		1,217,995	1,268,097
Deposits for property, plant and equipment		95,400	98,130
Deferred income tax assets		55,841	25,534
		1,510,210	1,536,051
Current assets			
Inventories		97,439	93,432
Trade receivables	11	194,082	175,308
Prepayments and other receivables		75,270	54,245
Loan receivable	12	220,000	—
Pledged bank deposits		—	4,374
Cash and cash equivalents		144,371	411,774
		731,162	739,133
Total assets		2,241,372	2,275,184
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		405,030	405,030
Share premium		563,056	563,056
Other reserves		93,266	85,352
Retained earnings		554,926	893,147
Total equity		1,616,278	1,946,585

	<i>Note</i>	2015 RMB'000	2014 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		31,429	28,733
Current liabilities			
Trade and other payables	13	313,352	180,320
Borrowings	14	276,018	115,277
Current income tax liabilities		4,295	4,269
		593,665	299,866
Total liabilities		625,094	328,599
Total equity and liabilities		2,241,372	2,275,184
Net current assets		137,497	439,267
Total assets less current liabilities		1,647,707	1,975,318

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 manufacturing and sales 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.

2 BASIS OF PREPARATION

The consolidated financial statements 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”).

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 realisable 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 standard, 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 2015. A summary of the new IFRSs are set out as below:

IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle
IAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the group's related party disclosures as the group does not obtain key management personnel services from management entities.

Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions

The issuance of IAS 19 Defined Benefit Plans: Employee Contribution completes improvements to the accounting requirements for pensions and other post-employment benefits and IAS 19 makes important improvements by:

- Eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation.

- Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations.
- Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

Same as described above, the application of the above new and revised IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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 ⁴
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
IFRS 10, IFRS 12 and IAS 28 (2011)	Investment Entities: Applying the Consolidation Exception ¹
IFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ⁴
IFRS 16	Leases ⁵
IAS 1 (Amendments)	Disclosure Initiative ¹
IAS 7 (Amendments)	Disclosure Initiative ³
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ³
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
IAS 16 and IAS 41	Agriculture: Bearer Plants ¹
IAS 27 (2011) (Amendments)	Equity Method in Separate Financial Statements ¹
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for first annual IFRS financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for annual periods beginning on or after 1 January 2019

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. 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 is presented in profit or loss;
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of 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, 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 of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value 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.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

IFRS 10, IFRS 12 and IAS 28 (2011) Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

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

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 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and 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 should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss.

The standard requires disclosures on the nature of, and risk associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. The standard is not expected to have impact on the Company as the Company is not a first time adopter of IFRSs.

IFRS 15 Revenue from Contracts with Customers

In May 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 of the Company 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.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

Amendments to IAS 1 Disclosure Initiative

In December 2014, amendments to IAS 1 was issued to further encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in IAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss.

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

Amendments to IAS 7 Disclosure Initiative

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities by improving information about (i) changes in an entity's liabilities that relate to financing activities in the statement of cash flows; and (ii) the availability of cash and cash equivalents and restrictions affecting an entity's decisions to use the cash and cash equivalent balances (including foreign exchange controls or tax implications associated with cash repatriation).

The IAS 7 (Amendments) defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The proposed amendments would require an entity to disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining, or losing, control of subsidiaries or other businesses; and (iii) other non-cash changes (for example, the effect of changes in foreign exchange rates and changes in fair values)

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Also, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

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

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 of the Company 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 of the Company 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 of the Company 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 27 (2011) Equity Method in Separate Financial Statements

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

- (i) At cost
- (ii) 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
- (iii) 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.

Entities already applying IFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments will not be applicable to the Company'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). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

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.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments 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 2015, none of the individual customer account for 10% or more of the Group's external revenue (2014: none). As at 31 December 2015 and 2014, majority of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

	Year ended 31 December 2015				Reportable segments total
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	RMB'000
Revenue					
Sales to external customers	746,901	128,490	95,129	76,848	1,047,368
Cost of sales	(490,888)	(82,225)	(104,233)	(65,263)	(742,609)
Gross profit/(loss)	<u>256,013</u>	<u>46,265</u>	<u>(9,104)</u>	<u>11,585</u>	<u>304,759</u>
Results of reportable segments	<u>130,394</u>	<u>24,655</u>	<u>(378,381)</u>	<u>(1,340)</u>	<u>(224,672)</u>

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

Results of reportable segments	(224,672)
Corporate income	15,838
Corporate expenses	<u>(119,948)</u>
Operating loss	(328,782)
Finance income	9,114
Finance costs	<u>(8,994)</u>
Loss before income tax	(328,662)
Tax expense	<u>(9,559)</u>
Loss for the year	<u>(338,221)</u>

Amounts included in the measure of segment profit or loss:

Amortisation of land use rights	<u>2,381</u>	<u>–</u>	<u>935</u>	<u>–</u>	<u>3,316</u>
Depreciation of property, plant and equipment	<u>78,323</u>	<u>–</u>	<u>40,952</u>	<u>2,589</u>	<u>121,864</u>
Impairment loss on property, plant and equipment	<u>–</u>	<u>–</u>	<u>317,000</u>	<u>–</u>	<u>317,000</u>
Loss on disposal of property, plant and equipment	<u>4,207</u>	<u>–</u>	<u>–</u>	<u>139</u>	<u>4,346</u>

	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	<u>279,123</u>	<u>65,005</u>	<u>4,969</u>	<u>31,776</u>	<u>380,873</u>
Results of reportable segments	<u>91,868</u>	<u>22,845</u>	<u>(7,077)</u>	<u>(529)</u>	<u>107,107</u>

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	<u>(100,357)</u>
Operating profit	30,678
Finance income	10,175
Finance costs	<u>(12,245)</u>
Profit before income tax	28,608
Tax expense	<u>(17,494)</u>
Profit for the year	<u>11,114</u>

Amounts included in the measure of segment profit or loss:

Amortisation of land use rights	<u>2,381</u>	<u>–</u>	<u>935</u>	<u>–</u>	<u>3,316</u>
Depreciation of property, plant and equipment	<u>69,196</u>	<u>–</u>	<u>29,846</u>	<u>4,417</u>	<u>103,459</u>
Loss on disposal of property, plant and equipment	<u>865</u>	<u>–</u>	<u>–</u>	<u>53</u>	<u>918</u>

Geographical information

During the years ended 31 December 2015 and 2014, the Group mainly operated in the PRC and most of the Group's revenue are derived from the PRC and most of the assets of the Group are located in the PRC as at 31 December 2015 and 31 December 2014. No analysis of the Group's result and assets by geographical area is disclosed.

4 OTHER INCOME AND GAIN

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Rental income	9,020	1,272
Government subsidy	3,382	18,249
Gain on sales of raw materials and scrap materials	3,455	1,715
	<u>15,857</u>	<u>21,236</u>

5 OTHER LOSSES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Loss on disposal of property, plant and equipment	(4,346)	(918)
Net exchange losses	(11,033)	(7,040)
	<u>(15,379)</u>	<u>(7,958)</u>

6 FINANCE INCOME/(COSTS), NET

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Finance costs:		
Interest expenses on bank borrowings		
– wholly repayable within five years	(8,994)	(24,427)
Less: amounts capitalised on qualifying assets	–	12,182
Total finance costs	<u>(8,994)</u>	<u>(12,245)</u>
Finance income:		
Interest income on bank deposits	2,397	10,175
Interest income on loan receivable	6,717	–
Total finance income	<u>9,114</u>	<u>10,175</u>
Finance income/(costs), net	<u>120</u>	<u>(2,070)</u>

7 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Auditor's remuneration	3,305	3,004
Staff costs (including directors' remuneration)		
– Salaries and bonuses	111,241	89,628
– Employer's contribution to defined contribution plans	10,225	10,888
– Employee share-based payment	7,914	8,557
Advertising and promotion expenses	139,281	217,344
Amortisation of land use rights	3,316	3,316
Depreciation of property, plant and equipment	121,864	103,459
Impairment loss on property, plant and equipment	317,000	–
Cost of inventory sold	561,850	591,753
Freight and transportation expenses	6,550	4,291
	<u>6,550</u>	<u>4,291</u>

8 TAX EXPENSE

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current income tax – PRC enterprise income tax	37,170	17,938
Deferred income tax	(27,611)	(444)
	<u>9,559</u>	<u>17,494</u>

Hong Kong profits tax, Bermuda and BVI income tax

No provision of Hong Kong profits tax, Bermuda and BVI income tax has been made, as the Group did not generate any assessable profits in these jurisdictions during the year (2014: Nil).

PRC enterprise income tax

PRC enterprise income tax has been provided at the rate of 25% (2014: 25%) on taxable profits of the Group's PRC subsidiaries during the year.

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2015	2014
Net (loss)/profit attributable to the equity holders of Company (RMB'000)	<u>(338,221)</u>	<u>11,114</u>
Weighted average number of ordinary shares in issue for basic (loss)/earnings per share ('000)	<u>1,128,977</u>	<u>1,132,133</u>
Basic (loss)/earnings per share (RMB per share)	<u>(0.30)</u>	<u>0.01</u>

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by dividing the net (loss)/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 years ended 31 December 2015 and 2014.

10 DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

11 TRADE RECEIVABLES

The Group's revenue are generally on credit term ranging from 30 to 90 days. As at 31 December 2015, the ageing analysis of trade receivables, based on invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Less than 30 days	70,527	116,530
31 days – 90 days	115,978	56,844
Over 90 days	<u>7,577</u>	<u>1,934</u>
	<u>194,082</u>	<u>175,308</u>

12 LOAN RECEIVABLE

On 19 June 2015, a wholly-owned subsidiary of the Group (the “Lender”) entered into an entrusted loan agreement with a PRC bank, as the lending agent, and an independent third party (the “Borrower”), pursuant to which the Lender, agreed to grant the entrusted loan in the principal amount of RMB250,000,000 (the “Entrusted Loan”) to the Borrower. As of 31 December 2015, the Borrower has drawn up an aggregate amount of RMB220,000,000 of the Entrusted Loan. The Entrusted Loan has a term of one year and bearing interest at 0.5% per month.

The Entrusted Loan is secured by (i) a personal guarantee of RMB250,000,000 provided by a controlling shareholder of the Borrower; (ii) a corporate guarantee of RMB228,783,000 given by a fellow subsidiary of the Borrower; and (iii) certain land parcels in the PRC valued at RMB30,310,000, as security to the obligations of the Borrower under the Entrusted Loan agreement. For the details of the Entrusted Loan, please refer to the Company’s announcement dated 7 August 2015.

The carrying amounts of the Entrusted Loan approximate its fair value.

13 TRADE PAYABLES

The credit periods granted by suppliers generally range from 30 to 60 days. As at 31 December 2015, the ageing analysis of trade payables is as follows:

	2015 RMB'000	2014 RMB'000
Less than 30 days	82,220	94,831
31 days – 90 days	14,217	11,897
Over 90 days	463	169
	<u>96,900</u>	<u>106,897</u>

14 BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured bank borrowings	33,822	115,277
Unsecured bank borrowings	<u>242,196</u>	<u>–</u>
Total bank borrowings	<u>276,018</u>	<u>115,277</u>
Carrying amount of bank borrowings wholly repayable:		
On demand or within one year	276,018	115,277
Less: amounts show under current liabilities	<u>(276,018)</u>	<u>(115,277)</u>
Amount classified as non-current liabilities	<u><u>–</u></u>	<u><u>–</u></u>

The carrying amounts of the borrowings are denominated in the following currencies:

	2015 RMB'000	2014 <i>RMB'000</i>
USD	197,196	111,260
RMB	75,000	–
HKD	3,822	4,017
	<u>276,018</u>	<u>115,277</u>

On 9 March 2015, the Company entered into a new loan agreement with a bank in relation to a US\$50,000,000 (equivalent to approximately RMB310,000,000) loan facility (the “Loan”). As at 31 December 2015, the Company has drawn up an aggregate amount of equivalent to approximately RMB197,196,000. The Loan was unsecured, repayable within 12 months and charged at floating interest rate of LIBOR + 1.7% which was re-pricing every 3 months.

During the year ended 31 December 2015, the Company entered into a secured bank borrowing agreement with a bank in relation to approximately RMB30,000,000 (2014: Nil). The bank borrowing was secured by corporate guarantee by inter-group company, repayable within 12 months and charged at a fixed interest rate of 5.98% per annum.

During the year ended 31 December 2015, the Company entered into a unsecured bank borrowing agreement with a bank in relation to approximately RMB45,000,000 (2014: Nil). The bank borrowing was repayable within 12 months and charged with fixed interest rate of 6.06% per annum.

As at 31 December 2015, the bank borrowing of HKD4,550,000 (equivalent to approximately RMB3,822,000) was secured by the land and buildings of RMB8,491,000 and charged at a floating interest rate of HIBOR + 2.25% which was re-pricing every month (2014: the bank borrowing of RMB4,017,000 was secured by the land and buildings of RMB9,003,000). The maturity date of the mortgage loan is in July 2023.

The weighted average effective interest rate of the bank borrowings as at 31 December 2015 was 4.84% (2014: 3.77%) per annum.

The carry amount of all borrowings approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2015, the Group had reported revenue of approximately RMB1,047.4 million representing a decrease of approximately 7.2% as compared with the corresponding period of last year. The decline in reported revenue was mainly due to the negative impacts as a result of the Toxic Gelatin Incidence (as defined below) occurred in mid-March 2014 as well as the overall weakened consumption sentiments in the People's Republic of China (the "PRC"). In mid-March 2014, the news reported by certain media in the PRC, including CCTV, reported the contamination of gummy candy of "Labixiaoxin" and other brands with toxic gelatin used during the production process (the "Toxic Gelatin Incidence"). Despite the Fujian Food and Drug Administration (福建省食品藥品監督管理局) subsequently confirmed that "Labixiaoxin" products were in compliance with the relevant food quality standards, the revenue of the Group were severely affected. As a result, during the year ended 31 December 2015, the Group's sales performance remained adversely affected by the Toxic Gelatin Incidence. In addition, the consumption sentiments in the PRC had weakened during the year which further affected the sales performance negatively. The weakened sales performance in certain categories of the Group's products such as confectionary products and other snacks products had inevitably slashed the Group's profit margins. As a result, the Group's gross profit for the year ended 31 December 2015 decreased by approximately 20.0% as compared with the corresponding period in 2014.

While the financial performance of the jelly products segment has gradually stabilized, the financial performance of the beverages business which was introduced in year 2013 was deteriorating and remained loss-making during the year ended 31 December 2015. Although the Company is confident that the Group's beverages products are of decent quality, the Company cannot disregard the fact that the beverages business in the PRC is much competitive than the Company's initial expectation. Coupled with the weak consumption sentiments in the PRC and the adverse impacts brought by the Toxic Gelatin Incidence, the sales performance of the Group's beverages products during the year was fall far below the Company's expectation. In view of the recurring loss and the uncertainties in the prospect of the beverages business, the Group engaged an independent valuer to conduct an impairment review on the beverages products segment and noted an impairment loss of RMB317.0 million on the property, plant and equipment was required as at 31 December 2015. As a result of the significant impairment loss of the property, plant and equipment, the Group recorded a net loss for the year ended 31 December 2015 of RMB338.2 million as compared with a net profit of RMB11.1 million for the year ended 31 December 2014.

REVENUE

Revenue of the Group for the year ended 31 December 2015 decreased by approximately 7.2% to RMB1,047.4 million as compared with the corresponding period in 2014. Despite the revenue dropped during year of 2015, the Group had continue to expand its distribution networks with an objective to boost sales performance in the long run. As at 31 December 2015, the Group had a total of 458 wholesale distributors and key account agents, the sales contributed from the new distributors, net of terminated distributors, representing 8.9% of the total domestic sales in 2015. Sales via key account agents amounted to RMB72.2 million or 7.2% of the total domestic sales and sales via wholesale distributors amounted to RMB938.0 million or 92.8% of the total domestic sales in 2015.

Jelly products

Sales of jelly products decreased by approximately 3.3% from RMB772.7 million in 2014 to RMB746.9 million in 2015. During the year ended 31 December 2015, sales attributable to jelly snacks increased by approximately 7.1% to RMB493.1 million, while sales attributable to jelly beverages decreased by approximately 18.7% to RMB253.8 million. Increase in sales of jelly snacks was primarily due to the introduction of the lactic acid bacteria series jelly products in November 2014, which mainly comprised of jelly snacks, and were well received by customers. Decrease in sales of jelly beverages during the year was mainly due to the overall poor consumption sentiments in the PRC.

Confectionary products

Sales of confectionary products decreased by approximately 26.0% to RMB128.5 million in 2015, which was mainly due to weakened consumer demand on traditional snacks after the Toxic Gelatin Incidence and weakened consumption sentiments in the PRC. During the year under review, the Group had also shifted its marketing efforts from confectionary products to the jelly products which is believed to have lead to a drop in sales of confectionary products.

Beverage products

Sales of beverages products increased by approximately 91.4% to RMB95.1 million in 2015, representing approximately 9.1% of total revenue of the Group. Although there was a remarkable increase in the sales of beverages products during the year, the profit margin of the segment continued to deteriorate. This was mainly due to the retirement of certain products, which were sold at great discounts and the Group was still in the process of adjusting its product mix of the beverages segment. In addition, the sales and production volumes of the beverages products did not reach the optimum level of the production capacity, which resulted in higher fixed overheads in respect of each individual beverages product. The Group continued to launch new beverages products with an objective to meet the needs of different customers. During late 2015, the Group launched the fruits and vegetables beverages products to provide a new and healthy choice to consumers. Whilst the Company remains confident that the Group's new beverages products are of decent quality, it is uncertain whether these products will be well perceived by the market and whether it will bring immediate financial contribution to the Group.

Other snacks products

For the year ended 31 December 2015, sales of other snacks products dropped by approximately 42.2% to RMB76.8 million, which was mainly due to weakened consumer demand on traditional snacks after the Toxic Gelatin Incidence and weakened consumption sentiments in the PRC. During the year under review, the Group had also shifted its marketing efforts from other snacks products to the jelly products which is believed may have lead to a drop in sales of other snacks products.

COST OF SALES AND GROSS PROFIT

Cost of sales decreased by approximately 0.7% to RMB742.6 million in 2015, which was consistent with the decrease in revenue. Gross profit dropped by approximately 20.0% to RMB304.8 million in 2015, which was mainly due to the increase in depreciation expenses, payrolls and other production overheads of the beverages segment. Costs of most of the major raw materials of the Group's products remained fairly stable during the year ended 31 December 2015 as compared with last year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group decreased by approximately 26.7% to RMB200.8 million in 2015, which was primarily due to tighter costs control on advertising and promotion expenses during the year. Advertising and promotion expenses of the Group decreased by approximately 35.9% to RMB139.3 million during the year under review. Decrease in advertising and promotion expenses was mainly due to the tighter costs control exercised by management on major operating expenses and there has no major new products launched during the year. The general market demand for the Group's products has remained weak since the Toxic Gelatin Incidence and the consumption sentiments in the PRC also remained sluggish. While the Group will continue to exercise tight costs control on advertising and promotion expenses, the Group will look for opportunities to expand its market shares. Therefore, the Group will continue to enhance its media exposure and arranged on-site promotion for new or core products with an objective to bring positive message to its consumers and enhance brand recognition within the market.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately 29.6% to RMB116.2 million in 2015, which was mainly due to increase in payrolls, depreciation expenses and other operating expenses at the production plant in Anhui Province, the PRC.

OTHER LOSSES

Balance primarily comprised of net exchange losses and loss on disposal of machinery and equipment. During the year, the Group incurred net other losses of RMB15.4 million, which was mainly attributable to the foreign exchange losses amounted to RMB11.0 million.

TAX EXPENSE

The Group's tax expense decreased by approximately 45.4% to RMB9.6 million, which was mainly due to the increase in PRC income tax expenses as a result of increase in taxable profits of the PRC subsidiaries offset by the deferred tax assets recognized for the tax losses of the subsidiary in Anhui Province, the PRC.

NET (LOSS)/PROFIT FOR THE YEAR

The Group recorded a net loss of RMB338.2 million for the year ended 31 December 2015 (2014: net profit of RMB11.1 million). The net loss was mainly due to the impairment loss on property, plant and equipment of the Group's beverages segment amounted to RMB317.0 million as at 31 December 2015 (2014: Nil).

FINANCIAL REVIEW

Financial resources and liquidity

The Group mainly financed its operations and capital expenditures by cash and bank balances, operating cash inflows and bank borrowings.

As at 31 December 2015, bank balances and bank deposits amounted to RMB144.4 million, which was RMB267.4 million lower than the balance as at 31 December 2014. The decrease in bank balances and bank deposits was mainly due to (i) the capital expenditures of RMB390.4 million incurred by the Group in 2015 and (ii) the Entrusted Loan (as defined below) granted to a PRC third party entity in June 2015.

On 19 June 2015, a wholly-owned subsidiary of the Group (the “Lender”) entered into an entrusted loan agreement with a PRC bank acting as the lending agent, and an independent PRC third party entity borrower (the “Borrower”), pursuant to which, the Lender agreed to grant an entrusted loan in the principal amount of RMB250,000,000 (the “Entrusted Loan”) to the Borrower for a term of one year with interests at 0.5% per month. As at 31 December 2015, the Borrower had drawn down an aggregate amount of RMB220,000,000 from the Entrusted Loan. The purposes of granting the Entrusted Loan by the Group was to better utilise the surplus cash of the Group under a short-term arrangement to generate higher interest income.

The Entrusted Loan was secured by (i) a personal guarantee of RMB250,000,000 provided by a controlling shareholder of the Borrower; (ii) a corporate guarantee of RMB228,783,000 provided by a fellow subsidiary of the Borrower; and (iii) a pledge over certain land parcels in the PRC valued at RMB30,310,000, as security to the obligations of the Borrower under the Entrusted Loan agreement.

As at 31 December 2015, the Group’s gearing ratio (total borrowings divided by total equity) was 17.1% (As at 31 December 2014: 5.9%). The Group had maintained sufficient cash and available banking facilities for its working capital requirements and for capitalising 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 RMB62.5 million in 2015 (2014: RMB118.2 million), representing a decrease of approximately 47.1%, which was mainly due to the decrease in revenue and gross profit of the Group’s business. The Group expended RMB601.3 million in investing activities during 2015 mainly in connection with the upgrade of production lines for the jelly and beverages products and building of new production base in Fujian. In addition, the Group also granted Entrusted Loan to an independent third party to better utilise the surplus cash of the Group under a short-term arrangement to generate higher interest income. During the year, the Group reached net cash inflow from financing activities of RMB271.4 million. During the year under review, the Group had fully settled the term loan under the US\$75,000,000 term loan facility obtained in 2013 and had obtained new bank borrowings of RMB277.3 million.

Capital expenditure

During the year ended 31 December 2015, the Group expended RMB390.4 million in capital expenditure mainly for the upgrade of production lines of jelly and beverages products of existing factories and the development of a new factory in Jinjiang, Fujian, the PRC.

Inventory analysis

The Group’s inventories primarily consist of finished goods of jelly products, confectionary products, beverage products and other snacks products, as well as raw materials and packaging materials. The inventories turnover days for 2015 and 2014 were 33 days and 41 days, respectively.

Trade receivables

Trade receivables mainly represented the balance due from wholesale distributors and key account agents. Typically, a credit period of 30 days to 60 days was granted to most of the wholesale distributors and a credit period of 90 days was granted to key account agents. The trade receivables turnover days for 2015 and 2014 were 62 days and 61 days respectively. The trade receivables turnover days is in line with the credit period granted by the Group to its customers.

Loan Receivable

On 19 June 2015, the Group entered into the Entrusted Loan pursuant of which it agreed to grant the entrusted loan in the principal amount of RMB250,000,000 to an independent third party. As at 31 December 2015, the Borrower has drawn up an aggregate amount of RMB220,000,000 of the Entrusted Loan. The Entrusted Loan has a term of one year and bearing interest at 0.5% per month.

For the details of the Entrusted Loan, please refer to the Company's announcement dated 7 August 2015.

Trade payables

Trade payables mainly represented the balances due to the Group's suppliers who generally grant credit periods ranging from 30 days to 60 days to the Group. Trade payables turnover days for 2015 and 2014 were 52 days and 57 days, respectively. The trade payables turnover days is in line with the credit period granted by suppliers to the Group.

Issue of new shares & use of proceeds

Pursuant to a placing agreement (the "Placing Agreement") entered into by the Company and Guoyuan Capital (Hong Kong) Limited as the placing agent, on 22 December 2015, the Company placed an aggregate of 200,000,000 new shares of the Company through the placing agent to not fewer than six placees at HK\$0.70 per share (the "Placing"). The net proceeds of RMB115,248,000 was received by the Company on 30 December 2015 and the issuance of new shares to the placees was completed on 4 January 2016.

The placing shares placed under the Placing represent (i) approximately 17.7% of the existing issued share capital of the Company as at the date of the Placing Agreement, and (ii) approximately 15.0% of the issued share capital of the Company as enlarged by the issue of the placing shares. The placing shares under the Placing have a market value of HK\$158.0 million. The placing price of HK\$0.70 per placing share represents: (i) a discount of approximately 11.4% to the closing price of HK\$0.79 per Share as quoted on the Stock Exchange as at the date of the Placing Agreement; (ii) discount of approximately 10.9% to the average closing price of HK\$0.786 per Share as quoted on the Stock Exchange for the last five trading days up to and including 21 December 2015, the last trading day immediately preceding the date of the Placing Agreement; and (iii) a discount of approximately 11.2% to the average closing price of HK\$0.788 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 21 December 2015, the last trading day immediately preceding the date of the Placing Agreement.

The net proceeds of the Placing (after deducting all applicable costs and expenses of the Placing) was approximately RMB115.2 million. As stated in the announcement of the Company dated 22 December 2015. The Company intended to use the net proceeds raised from the placement on the Group's business development and as general working capital of the Group. As at 31 December 2015, no net proceeds from the placement was utilised. The unutilised portion of the net proceeds from the Placing is held in cash and cash equivalents and intended that it will be applied in the manner consistent with the proposed allocations.

Charges on assets

As at 31 December 2015, land and building of the Group with net book value of RMB8.5 million was pledged as security for mortgage loan (31 December 2014: RMB9.0 million).

Contingent liabilities

As at 31 December 2015, the Group had no contingent liabilities (31 December 2014: Nil).

Foreign exchange fluctuations

The Group earns revenue and incur costs and expenses mainly in Renminbi. The Group is exposed to certain foreign exchange fluctuations arising mainly from the exposure of Renminbi against Hong Kong dollar and US dollar. During the year ended 31 December 2015, the Group did not enter into forward contracts to hedge the foreign exchange exposures as the Directors considered the financial benefits of such forward contracts may not outweigh their costs.

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. 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 (collectively, 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 would be a change of control in the event that (i) the Controlling Shareholders collectively do not or cease to, directly or indirectly own at least 35% of the issued share capital of the Company on a fully diluted basis at any time; or (ii) the Controlling Shareholders collectively do not or cease to, directly or indirectly, have the ability to direct the affairs of the Company at any time. If a change of control occurred, the facility agent to the Facility Agreement would be entitled to terminate 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 would be cancelled and all such outstanding amounts would be immediately due and payable.

The Facility had been fully settled in 2015 and the above specific performance obligations imposed on the controlling shareholders were released as at 31 December 2015.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2015, the Group had approximately 2,020 employees (2014: approximately 1,900 employees) and total remuneration expenses for the year ended 31 December 2015 amounted to RMB129.4 million, including amortisation cost of share options in the amount of RMB7.9 million. The employees' salaries are reviewed and adjusted annually based on employee's 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 10 July 2015, the Group granted 30,000,000 share options to certain employees of the Group with an exercise period from 13 July 2015 to 12 July 2020 at an exercise price of HK\$0.89 per share. All these share options were immediately vested. As at 31 December 2015, none of these share options has been exercised by the grantees.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

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 2015 (2014: Nil).

PROSPECT

The Toxic Gelatin Incidence continued to cast negative impacts on the Group's business in 2015 as it directly affected the Group's brand image and consumer sentiments on jelly, candies and certain traditional snacks within the community. The Toxic Gelatin Incidence had affected the entire snacks industry and the extraordinary market situation was contemplated to lead to a market consolidation. The Group considered the current market situation presented an opportunity to expedite its market share expansion. Therefore, the Group had been proactive in the marketing of its brand image and products, including the launch of advertisement through different media channels such as sponsoring popular TV programs, participating at various food fairs and exhibitions, and collaborating with distributors and retailers for on-site promotion activities etc. The Group had also launched new jelly and beverages products to offer a better choice to the consumers. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the longer run. Therefore, the Directors are cautiously optimistic to the medium to long term of the Group's business.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2015.

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 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 2015. The Audit Committee has also reviewed the annual results for the year ended 31 December 2015.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Group’s auditor, HLB Hodgson Impey Cheng Limited (“HLB”), to the amounts set out in the Group’s audited consolidated financial statements 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.

The audited consolidated financial statements of the Group for the year ended 31 December 2015 set out in 2015 Annual Report of the Company will be an unqualified audit opinion.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote stringent corporate governance practices and procedures with a view to safeguard the interests of shareholders and enhance investor confidence and the Company’s accountability and transparency. The Company set out its corporate governance practices by reference to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2015, the Company has complied with all the code provisions set forth under the CG Code and there has been no deviation from the code provisions throughout the year ended 31 December 2015.

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 2015 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 2015 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 Huan
Chairman

Hong Kong, 24 March 2016

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.