



**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

2

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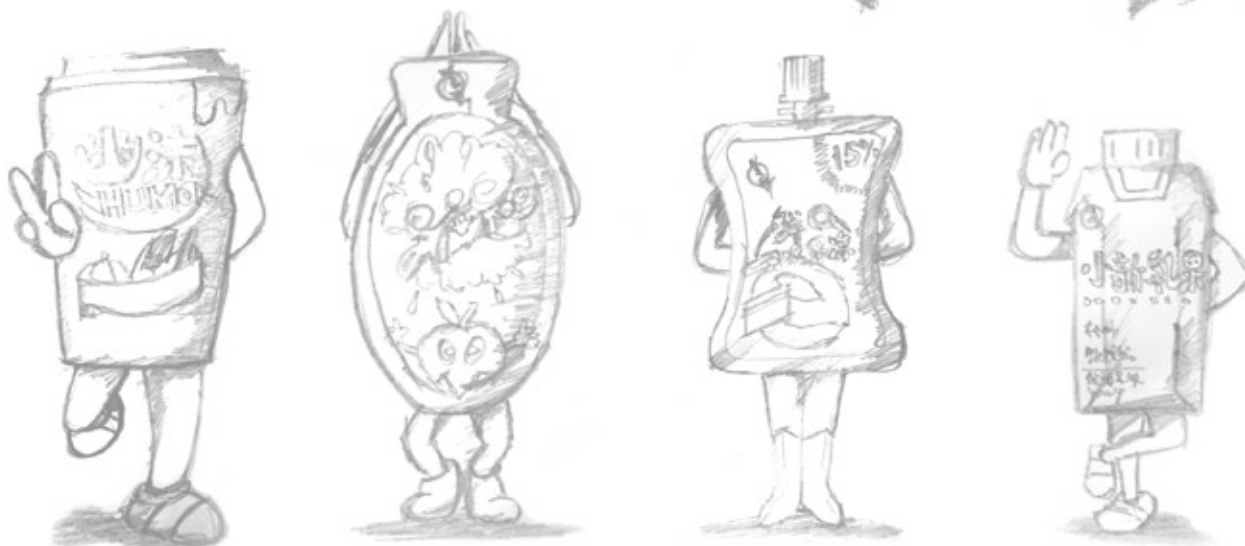
I N T E R I M

R E P O R T

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2014



## CORPORATE INFORMATION

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wuli Industrial Area  
Jinjiang, Fujian  
PRC

### PLACE OF BUSINESS IN HONG KONG

7th Floor, AT Tower  
180 Electric Road  
North Point  
Hong Kong

### PLACE OF LISTING AND TRADING CODE

The Stock Exchange of  
Hong Kong Limited  
Stock code: 1262

### COMPANY WEBSITE

<http://www.lbxgroup.com>

*(information contained in this website does not form part of this interim report)*

### BOARD OF DIRECTORS

#### Executive Directors

Zheng Yu Long (*Chairman*)  
Zheng Yu Shuang (*Chief Executive Officer*)  
Zheng Yu Huan

#### Non-Executive Directors

Li Hung Kong (*Vice-Chairman*)

### Independent Non-Executive

#### Directors

Li Zhi Hai  
Sun Kam Ching  
Chung Yau Tong

### COMPANY SECRETARY

Yap Yung (*HKICPA*)

### AUTHORIZED REPRESENTATIVES

Zheng Yu Shuang  
Yap Yung

### AUDIT COMMITTEE

Chung Yau Tong (*Chairman*)  
Li Zhi Hai  
Sun Kam Ching

### REMUNERATION COMMITTEE

Sun Kam Ching (*Chairman*)  
Zheng Yu Long  
Chung Yau Tong

### NOMINATION COMMITTEE

Li Zhi Hai (*Chairman*)  
Zheng Yu Shuang  
Chung Yau Tong

### AUDITOR

HLB Hodgson Impey Cheng Limited  
31st Floor, Gloucester Tower  
The Landmark, 11 Pedder Street  
Central, Hong Kong

### LEGAL ADVISOR

Sidley Austin  
Level 39, Two International  
Finance Centre  
8 Finance Street, Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

### PRINCIPAL BANKERS

Construction Bank of China,  
Jinjiang Branch  
Construction Bank Building  
Zeng Jin Area, Qing Yang  
Jinjiang, Fujian  
PRC

Bank of Communications,  
Quanzhou Branch  
550 Fengze Street  
Quanzhou, Fujian  
PRC

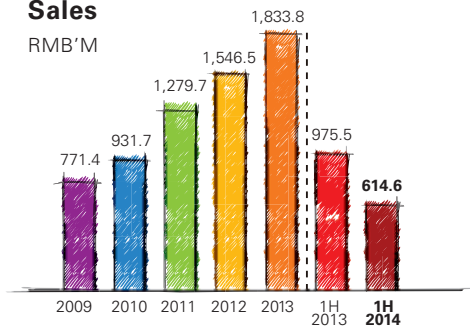
China CITIC Bank,  
Quanzhou Branch  
1-2/F, Renmin Yinhang Building  
Quanzhou, Fujian  
PRC

Agricultural Bank of China,  
Tianjin Wuqing Branch  
Jinrong Building  
Northern Xinhua Road  
Yangcun Town  
Wuqing Area, Tianjin  
PRC

## FINANCIAL HIGHLIGHTS

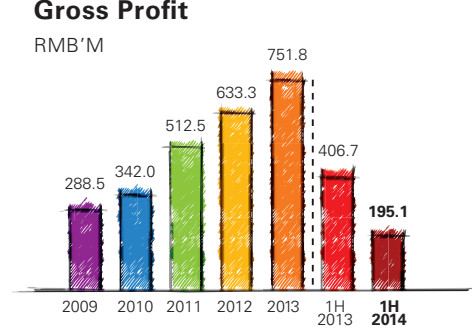
### Sales

RMB'M



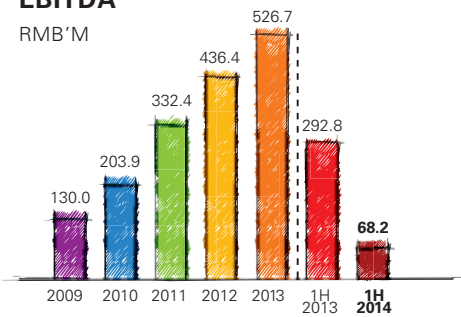
### Gross Profit

RMB'M



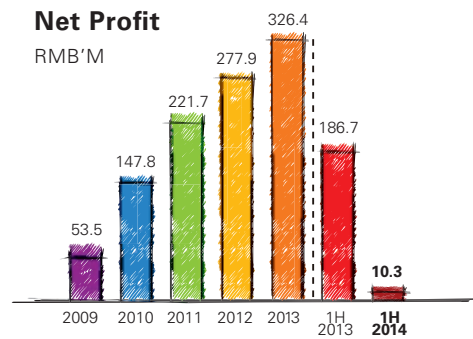
### EBITDA

RMB'M



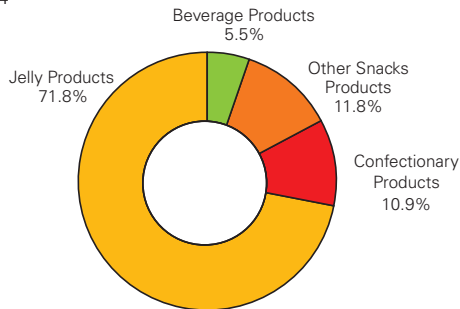
### Net Profit

RMB'M

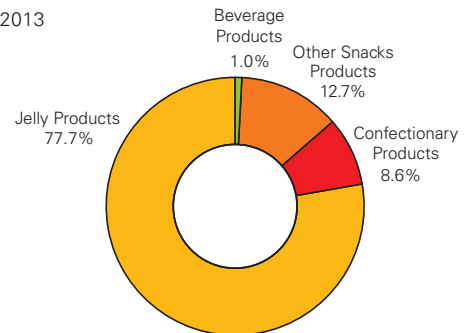


### Sales by Products

1H2014

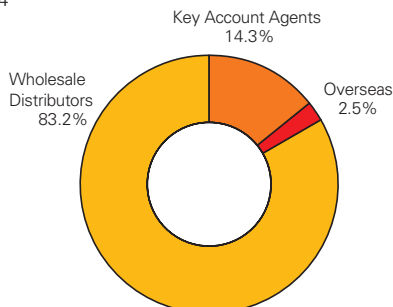


1H2013

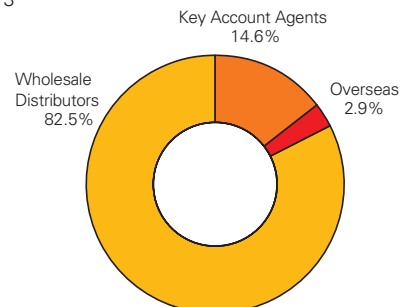


### Sales by Distribution Channels

1H2014



1H2013



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six months ended 30 June 2014, the Group has reported sales of approximately RMB614.6 million which dropped by 37.0% from the same period in 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 reporting period. Furthermore, the Group has granted additional one-off sales discounts to certain distributors to promote sales during the Toxic Gelatin Incidence, which reduced the gross profit margin of the Group. As a result, the gross profit margin and EBITDA margin of the Group for the six months ended 30 June 2014 decreased by approximately 10.0 percentage points and 18.9 percentage points, as compared to the corresponding period in 2013, while the net profit of the Group for the six months ended 30 June 2014 was RMB10.3 million which was significantly lower than the corresponding period in 2013.

On 25 March 2014, the Group has 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 report, the Group’s products are back on shelves and available in the retail channels and are accessible by the consumers.

### SALES

Sales had decreased by 37.0% to RMB614.6 million in the first half of 2014. Though the sales dropped during the first half of 2014, the expansion of the distribution network never stopped. As at 30 June 2014, the Group had a total number of 417 wholesale distributors and key account agents, the sales generated from the new distributors, net of terminated distributors, represented 5.7% of the total domestic sales in the first half of 2014. Sales via key account agents was RMB87.9 million or 14.7% of total domestic sales and sales via wholesale distributors was RMB511.2 million or 85.3% of total domestic sales.

#### Jelly products

Sales of jelly products had decreased by 41.8% from RMB758.1 million in the first half of 2013 to RMB441.1 million in the first half of 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 43.3% to RMB258.6 million and 39.6% to RMB182.5 million respectively.

#### Confectionary products

Sales of confectionary products decreased by 19.9% to RMB67.2 million in the first half of 2014 mainly due to sales return during the period and weak consumer demand as a result of the Toxic Gelatin Incidence.

#### Beverage products

Sales of beverage products soared by 258.2% to RMB33.9 million in the first half of 2014, representing 5.5% 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 “Xiaoxin Ru Guo” flavored milk remained encouraging and the Group has launched chocolate flavor of 125ml tetra-pack and well received by the market during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### SALES *(Continued)*

#### Other snacks products

Sales of other snacks products decreased by 41.6% to RMB72.4 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 26.2% to RMB419.6 million in the first half of 2014 which was consistent with the sales volume. Gross profit decreased by 52.0% to RMB195.1 million in the first half of 2014 which was mainly due to sales return and one-off sales discount given to the distributors during the period. Costs of most of the major raw materials were fairly stable as compared with the same period in last year.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 16.9% to RMB138.9 million in the first half of 2014 despite of the decrease in sales. This was primarily due to increased advertising and promotion expenses by 22.9% to RMB111.5 million during the period. 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.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by 19.9% to RMB40.2 million in the first half of 2014 which was mainly due to new operating expenses in the production plant at Anhui Province, the PRC.

### INCOME TAX EXPENSE

The Group's income tax expense decreased by 89.3% to RMB7.5 million, which was mainly due to dropped in taxable profits of the Group as a result of sales return and weak market demand on the Group's products since the Toxic Gelatin Incidence. The effective tax rate increased to 42.2% mainly because the Group has higher proportion from offshore expenses which were not tax deductible.

### NET PROFIT

The net profit of the Group was RMB10.3 million for the first half of 2014, which was significantly lowered than the same period in 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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 30 June 2014, the bank balances and pledged bank deposits amounted to RMB608.2 million. The Group has recorded a cash outflow from operation in the amount of RMB38.4 million, which was mainly due to the Toxic Gelatin Incidence. Moreover, the Group has incurred capital expenditures of RMB158.1 million in the first half of 2014. However, despite the extraordinary market conditions subsequent to the Toxic Gelatin Incidence, the Group maintained a net cash position of RMB153.2 million as at 30 June 2014.

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 outflow from operating activities of RMB38.4 million in the first half of 2014 mainly due to cash paid for corporate income tax of RMB40.2 million in the first half of 2014 (2013: RMB60.1 million). The Group has also engaged in investing activities of RMB150.1 million in the first half of 2014 mainly for the expansion of production lines for the beverage products. In addition, the Group has net cash outflow from financing activities of RMB75.2 million in the first half of 2014 mainly due to increase in pledged bank deposits during the period. Approximately RMB70.0 million of the pledged bank deposits was used in the early repayment of the Group's US\$75.0 million term loan in July 2014.

#### Capital expenditure

In first half of 2014, the Group has expended RMB158.1 million in capital expenditure mainly for the expansion of production lines for the beverage products in production plant at Anhui Province, the PRC. The new production lines were mainly for tetra-pack beverage products and shall commence test running in the fourth quarter of this year.

#### 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. As at 30 June 2014, the balance decreased by RMB21.7 million from the beginning of the year mainly due to the Toxic Gelatin Incidence. The inventories turnover days for the first half of 2014 and 2013 were 36 days and 21 days, respectively.

#### Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors and key account agent. 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 RMB46.7 million from the beginning of the year mainly due to seasonal factor and the Toxic Gelatin Incidence. The Group has offered a slightly longer credit period to some of the distributors after the Toxic Gelatin Incidence as a gesture to support them during the difficult moment. The amounts overdue as at 30 June 2014 was RMB31.9 million. The trade receivable turnover days for the first half of 2014 and 2013 were 68 days and 44 days, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW (Continued)

#### Trade payables

Trade payables mainly represent the balance 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 the first half of 2014 and 2013 were 58 days and 53 days, respectively.

#### Charges on assets

As at 30 June 2014, the Group had the following charges assets:

- (i) pledged bank deposits of RMB79.7 million (31 December 2013: RMB16.2 million);
- (ii) land and building with net asset value of RMB9.3 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 30 June 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 (the "**Facility**"). In July, the Company had transmitted US\$37.5 million to the facility agent to the Facility Agreement, representing 50% of the total amount outstanding under the Facility, for the purpose of early repayment of the Facility. The remaining balance of the outstanding Facility would be repayable in full on 25 February 2015.

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

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

#### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### PROSPECTS

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 has been affected. While the Group was not the only victim of the Toxic Gelatin Incidence, which had affected the entire industry and the Group's market competitors are also facing similar challenges. It is contemplated that the extraordinary market situation will lead to a market consolidation. The Group considers the extraordinary market situation an opportunity to expedite its market share expansion and an opportunity not-to-be missed. Therefore, the Group is proactively increasing 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. 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.

## AUDITORS' INDEPENDENT REVIEW REPORT



31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**TO THE BOARD OF DIRECTORS OF  
LABIXIAOXIN SNACKS GROUP LIMITED**

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 27, which comprises the condensed consolidated statement of financial position of Labixiaoxin Snacks Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCORE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

Hon Koon Fai, Alex  
Practicing Certificate Number: P05029

Hong Kong, 18 August 2014

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

|   | NOTE | Unaudited<br>Six months ended 30 June |                 |
|---|------|---------------------------------------|-----------------|
|   |      | 2014<br>RMB'000                       | 2013<br>RMB'000 |
| Sales   | 4    | 614,621                               | 975,474         |
| Cost of sales   |      | (419,550)                             | (568,812)       |
| Gross profit  |      | 195,071                               | 406,662         |
| Other income  | 5    | 773                                   | 274             |
| Other (losses)/gains, net   | 6    | (1,129)                               | 1,855           |
| Selling and distribution expenses   |      | (138,858)                             | (118,798)       |
| Administrative expenses   |      | (40,191)                              | (33,518)        |
| Operating profit  | 7    | 15,666                                | 256,475         |
| Finance income  |      | 8,015                                 | 4,405           |
| Finance costs   |      | (5,810)                               | (3,529)         |
| Finance income, net   | 8    | 2,205                                 | 876             |
| Profit before income tax  |      | 17,871                                | 257,351         |
| Income tax expense  | 9    | (7,536)                               | (70,634)        |
| Profit and total comprehensive income for the period                                |      | 10,335                                | 186,717         |
| Earnings per share attributable to equity holders of the Company<br>(RMB per share) | 10   |                                       |                 |
| – Basic   |      | 0.01                                  | 0.17            |
| – Diluted   |      | 0.01                                  | 0.17            |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2014

|   | NOTE | Unaudited<br>30 June<br>2014<br>RMB'000 | Audited<br>31 December<br>2013<br>RMB'000 |
|---|------|---|---|
| <b>ASSETS</b>   |      |   |   |
| <b>Non-current assets</b>   |      |   |   |
| Land use rights   | 12   | 145,947                                 | 147,606                                   |
| Property, plant and equipment   | 12   | 1,177,015                               | 1,199,013                                 |
| Deposits for property, plant and equipment                                |      | 243,036                                 | 101,881                                   |
| Deferred income tax assets  |      | 30,331                                  | 23,790                                    |
|   |      | <b>1,596,329</b>                        | 1,472,290                                 |
| <b>Current assets</b>   |      |   |   |
| Inventories   |      | 63,645                                  | 85,339                                    |
| Trade receivables   | 13   | 248,755                                 | 295,431                                   |
| Prepayments and other receivables   |      | 61,264                                  | 41,334                                    |
| Pledged bank deposits   |      | 79,676                                  | 16,214                                    |
| Cash and cash equivalents   |      | 528,554                                 | 792,196                                   |
|   |      | <b>981,894</b>                          | 1,230,514                                 |
| <b>Total assets</b>   |      | <b>2,578,223</b>                        | 2,702,804                                 |
| <b>EQUITY</b>   |      |   |   |
| <b>Capital and reserves attributable to equity holders of the Company</b> |      |   |   |
| Share capital   |      | 406,133                                 | 406,133                                   |
| Share premium   |      | 566,809                                 | 566,809                                   |
| Other reserves  |      | 72,056                                  | 71,095                                    |
| Retained earnings   |      | 897,210                                 | 886,875                                   |
| <b>Total equity</b>   |      | <b>1,942,208</b>                        | 1,930,912                                 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (Continued)

As at 30 June 2014

|  | NOTE | Unaudited<br>30 June<br>2014<br>RMB'000 | Audited<br>31 December<br>2013<br>RMB'000 |
|--|------|---|---|
| <b>LIABILITIES</b>                           |      |   |   |
| <b>Non-current liabilities</b>               |      |   |   |
| Deferred income tax liabilities              |      | 28,122                                  | 28,450                                    |
| Borrowings                                   | 15   | -                                       | 386,526                                   |
|  |      | <b>28,122</b>                           | 414,976                                   |
| <b>Current liabilities</b>                   |      |   |   |
| Trade and other payables                     | 14   | 146,630                                 | 261,377                                   |
| Borrowings                                   | 15   | 455,024                                 | 63,459                                    |
| Current income tax liabilities               |      | 6,239                                   | 32,080                                    |
|  |      | <b>607,893</b>                          | 356,916                                   |
| <b>Total liabilities</b>                     |      | <b>636,015</b>                          | 771,892                                   |
| <b>Total equity and liabilities</b>          |      | <b>2,578,223</b>                        | 2,702,804                                 |
| <b>Net current assets</b>                    |      | <b>374,001</b>                          | 873,598                                   |
| <b>Total assets less current liabilities</b> |      | <b>1,970,330</b>                        | 2,345,888                                 |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2014*

|  | Unaudited      |                |                 |                    |                      |                              |                   | Total            |
|--|----------------|----------------|-----------------|--------------------|----------------------|------------------------------|-------------------|------------------|
|  | Share capital  | Share premium  | Merger reserve  | Statutory reserves | Share option reserve | Currency translation reserve | Retained earnings |                  |
|  | RMB'000        | RMB'000        | RMB'000         | RMB'000            | RMB'000              | RMB'000                      | RMB'000           | RMB'000          |
| Balance at 1 January 2014                            | <b>406,133</b> | <b>566,809</b> | <b>(87,600)</b> | <b>155,214</b>     | <b>3,522</b>         | <b>(41)</b>                  | <b>886,875</b>    | <b>1,930,912</b> |
| Profit and total comprehensive income for the period | -              | -              | -               | -                  | -                    | -                            | 10,335            | 10,335           |
| Employee share-based payments                        | -              | -              | -               | -                  | 961                  | -                            | -                 | 961              |
| Balance at 30 June 2014                              | <b>406,133</b> | <b>566,809</b> | <b>(87,600)</b> | <b>155,214</b>     | <b>4,483</b>         | <b>(41)</b>                  | <b>897,210</b>    | <b>1,942,208</b> |
| Balance at 1 January 2013                            | 403,984        | 550,787        | (87,600)        | 116,889            | 4,063                | (41)                         | 670,856           | 1,658,938        |
| Profit and total comprehensive income for the period | -              | -              | -               | -                  | -                    | -                            | 186,717           | 186,717          |
| Employee share-based payments                        | -              | -              | -               | -                  | 1,820                | -                            | -                 | 1,820            |
| Dividends  | -              | -              | -               | -                  | -                    | -                            | (72,038)          | (72,038)         |
| Balance at 30 June 2013                              | 403,984        | 550,787        | (87,600)        | 116,889            | 5,883                | (41)                         | 785,535           | 1,775,437        |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

|   | Unaudited                |           |
|---|--------------------------|-----------|
|   | Six months ended 30 June |           |
|   | 2014                     | 2013      |
|   | RMB'000                  | RMB'000   |
| <b>Cash flows from operating activities</b>                   |                          |           |
| Cash generated from operations                                | 1,846                    | 303,158   |
| Income tax paid   | (40,246)                 | (60,124)  |
| <b>Net cash (used in)/generated from operating activities</b> | <b>(38,400)</b>          | 243,034   |
| <b>Cash flows from investing activities</b>                   |                          |           |
| Purchases of property, plant and equipment                    | (16,946)                 | (17,380)  |
| Deposits paid for property, plant and equipment               | (141,155)                | (134,643) |
| Proceeds from disposal of property, plant and equipment       | –                        | 430       |
| Interest received   | 8,015                    | 4,405     |
| <b>Net cash used in investing activities</b>                  | <b>(150,086)</b>         | (147,188) |
| <b>Cash flows from financing activities</b>                   |                          |           |
| Proceeds from borrowings                                      | –                        | 444,296   |
| Repayments of borrowings                                      | (234)                    | (30,300)  |
| Increase in pledged bank deposits                             | (63,462)                 | (4,479)   |
| Dividends paid  | –                        | (72,038)  |
| Interest paid   | (11,460)                 | (7,291)   |
| <b>Net cash (used in)/generated from financing activities</b> | <b>(75,156)</b>          | 330,188   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   | <b>(263,642)</b>         | 426,034   |
| Cash and cash equivalents at the beginning of the period      | 792,196                  | 406,106   |
| <b>Cash and cash equivalents at the end of the period</b>     | <b>528,554</b>           | 832,140   |

## NOTES

### 1 GENERAL INFORMATION

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

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

The Company’s shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

### 2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2013, except as mentioned below.

#### (a) New standards, amendments and interpretations to standards adopted by the Group

The following new standards, amendments and interpretations to standards are mandatory for accounting periods beginning on or after 1 January 2014. The adoption of these new standards, amendments and interpretations to standards does not have any significant impact to the results and financial position of the Group.

|  |  |
|--|--|
| IAS 32 (Amendments)                      | Offsetting financial assets and financial liabilities        |
| IAS 36 (Amendments)                      | Recoverable amount disclosures for non-financial assets      |
| IAS 39 (Amendments)                      | Novation of derivatives and continuation of hedge accounting |
| IFRS 10, IFRS 12 and IAS 27 (Amendments) | Investment entities  |
| IFRIC Int-21                             | Levies   |



## NOTES (Continued)

### 2 BASIS OF PREPARATION (Continued)

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

The following new standards, amendments to standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2014 and which the Group has not early adopted.

|                                |   |
|--------------------------------|---|
| IAS 16 and IAS 38 (Amendments) | Clarification of acceptable methods of depreciation and amortisation <sup>5</sup> |
| IAS 19 (Amendments)            | Defined benefits plans: employee contributions <sup>1</sup>                       |
| IFRS 7 and IFRS 9 (Amendments) | Mandatory effective date of IFRS 9 and transition disclosures <sup>2</sup>        |
| IFRS 9                         | Financial instruments <sup>2</sup>  |
| IFRS 11 (Amendments)           | Accounting for acquisitions of interests in joint operations <sup>5</sup>         |
| IFRS 14                        | Regulatory deferral accounts <sup>4</sup>   |
| IFRS 15                        | Revenue from contracts with customers <sup>6</sup>                                |
| IFRS (Amendments)              | Annual improvements to IFRS 2010-2012 Cycle <sup>3</sup>                          |
| IFRS (Amendments)              | Annual improvements to IFRS 2011-2013 Cycle <sup>1</sup>                          |

<sup>1</sup> effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

<sup>3</sup> effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>4</sup> effective for first annual IFRS financial statements beginning on or after 1 January 2016

<sup>5</sup> effective for annual periods beginning on or after 1 January 2016

<sup>6</sup> effective for annual periods beginning on or after 1 January 2017

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

### 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risks (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

**NOTES** (Continued)**4 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 information.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of profit or loss and other comprehensive income.

During the six months ended 30 June 2014, none of the individual customer account for 10% or more of the Group’s external revenue (2013: none). As at 30 June 2014 and 31 December 2013, substantially all of the Group’s assets, liabilities and capital expenditure are located or utilised in the PRC.

**Unaudited**  
**Six months ended 30 June 2014**

|                                       | <b>Jelly products</b> | <b>Confectionary products</b> | <b>Beverages products</b> | <b>Other snacks products</b> | <b>Reportable segments total</b> |
|---------------------------------------|-----------------------|-------------------------------|---------------------------|------------------------------|----------------------------------|
|                                       | <b>RMB'000</b>        | <b>RMB'000</b>                | <b>RMB'000</b>            | <b>RMB'000</b>               | <b>RMB'000</b>                   |
| <b>Revenue</b>                        |                       |                               |                           |                              |                                  |
| Sales to external customers           | 441,071               | 67,242                        | 33,872                    | 72,436                       | 614,621                          |
| Cost of sales                         | (292,834)             | (45,315)                      | (28,114)                  | (53,287)                     | (419,550)                        |
| Gross profit                          | 148,237               | 21,927                        | 5,758                     | 19,149                       | 195,071                          |
| <b>Results of reportable segments</b> | <b>48,537</b>         | <b>6,791</b>                  | <b>(1,879)</b>            | <b>2,764</b>                 | <b>56,213</b>                    |

**NOTES** (Continued)**4 SEGMENT INFORMATION** (Continued)

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

|   | Unaudited                     |                                      |                                  |  |  |
|---|-------------------------------|--------------------------------------|----------------------------------|--|--|
|   | Six months ended 30 June 2014 |                                      |                                  |  |  |
|   | Jelly<br>products<br>RMB'000  | Confectionary<br>products<br>RMB'000 | Beverages<br>products<br>RMB'000 | Other<br>snacks<br>products<br>RMB'000 | Reportable<br>segments<br>total<br>RMB'000 |
| <b>Results of reportable segments</b>         |                               |                                      |                                  |  | <b>56,213</b>                              |
| Corporate income                              |                               |                                      |                                  |  | 1,931                                      |
| Corporate expenses                            |                               |                                      |                                  |  | (42,478)                                   |
| <b>Operating profit</b>                       |                               |                                      |                                  |  | <b>15,666</b>                              |
| Finance income                                |                               |                                      |                                  |  | 8,015                                      |
| Finance costs                                 |                               |                                      |                                  |  | (5,810)                                    |
| <b>Profit before income tax</b>               |                               |                                      |                                  |  | <b>17,871</b>                              |
| Income tax expense                            |                               |                                      |                                  |  | (7,536)                                    |
| <b>Profit for the period</b>                  |                               |                                      |                                  |  | <b>10,335</b>                              |
| Amortisation of land use rights               | 1,190                         | -                                    | 469                              | -                                      | 1,659                                      |
| Depreciation of property, plant and equipment | 44,707                        | -                                    | 2,323                            | 2,835                                  | 49,865                                     |

|                                       | Unaudited                     |                                      |                                  |  |  |
|---------------------------------------|-------------------------------|--------------------------------------|----------------------------------|--|--|
|                                       | Six months ended 30 June 2013 |                                      |                                  |  |  |
|                                       | Jelly<br>products<br>RMB'000  | Confectionary<br>products<br>RMB'000 | Beverages<br>products<br>RMB'000 | Other<br>snacks<br>products<br>RMB'000 | Reportable<br>segments<br>total<br>RMB'000 |
| <b>Revenue</b>                        |                               |                                      |                                  |  |  |
| Sales to external customers           | 758,143                       | 83,932                               | 9,455                            | 123,944                                | 975,474                                    |
| Cost of sales                         | (436,612)                     | (51,559)                             | (6,684)                          | (73,957)                               | (568,812)                                  |
| Gross profit                          | 321,531                       | 32,373                               | 2,771                            | 49,987                                 | 406,662                                    |
| <b>Results of reportable segments</b> | 229,201                       | 22,151                               | 1,620                            | 34,892                                 | 287,864                                    |

**NOTES** (Continued)**4 SEGMENT INFORMATION** (Continued)

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

|  | Unaudited                     |                                      |                                  |  | Reportable<br>segments<br>total<br>RMB'000 |
|--|-------------------------------|--------------------------------------|----------------------------------|--|--|
|  | Six months ended 30 June 2013 |                                      |                                  |  |  |
|  | Jelly<br>products<br>RMB'000  | Confectionary<br>products<br>RMB'000 | Beverages<br>products<br>RMB'000 | Other<br>snacks<br>products<br>RMB'000 |  |
| <b>Results of reportable segments</b>            |                               |                                      |                                  |  | 287,864                                    |
| Corporate income                                 |                               |                                      |                                  |  | 5,106                                      |
| Corporate expenses                               |                               |                                      |                                  |  | (36,495)                                   |
| <b>Operating profit</b>                          |                               |                                      |                                  |  | 256,475                                    |
| Finance income                                   |                               |                                      |                                  |  | 4,405                                      |
| Finance costs                                    |                               |                                      |                                  |  | (3,529)                                    |
| <b>Profit before income tax</b>                  |                               |                                      |                                  |  | 257,351                                    |
| Income tax expense                               |                               |                                      |                                  |  | (70,634)                                   |
| <b>Profit for the period</b>                     |                               |                                      |                                  |  | 186,717                                    |
| Amortisation of land use rights                  | 1,658                         | -                                    | -                                | -                                      | 1,658                                      |
| Depreciation of property, plant and<br>equipment | 30,424                        | -                                    | -                                | 2,465                                  | 32,889                                     |

**5 OTHER INCOME**

|               | Unaudited                |                 |
|---------------|--------------------------|-----------------|
|               | Six months ended 30 June |                 |
|               | 2014<br>RMB'000          | 2013<br>RMB'000 |
| Rental income | 773                      | 274             |

**NOTES** (Continued)**6 OTHER (LOSSES)/GAINS, NET**

|   | <b>Unaudited</b>                |         |
|---|---------------------------------|---------|
|   | <b>Six months ended 30 June</b> |         |
|   | <b>2014</b>                     | 2013    |
|   | <b>RMB'000</b>                  | RMB'000 |
| Gain on sale of scrap materials                   | <b>1,158</b>                    | 1,767   |
| Loss on disposal of property, plant and equipment | <b>(2)</b>                      | (2,976) |
| Net exchange (losses)/gains                       | <b>(2,285)</b>                  | 3,064   |
|   | <b>(1,129)</b>                  | 1,855   |

**7 OPERATING PROFIT**

Operating profit was determined after charging the following:

|  | <b>Unaudited</b>                |         |
|--|---------------------------------|---------|
|  | <b>Six months ended 30 June</b> |         |
|  | <b>2014</b>                     | 2013    |
|  | <b>RMB'000</b>                  | RMB'000 |
| Purchases of raw materials, finished goods and consumables                           | <b>339,539</b>                  | 531,663 |
| Changes in inventories of raw materials and finished goods                           | <b>21,694</b>                   | (5,933) |
| Advertising and promotion expenses   | <b>111,529</b>                  | 90,726  |
| Freight and transportation expenses  | <b>2,292</b>                    | 1,754   |
| Employee benefit expenses (including directors' emoluments and share-based payments) | <b>52,842</b>                   | 55,277  |
| Depreciation of property, plant and equipment  | <b>49,865</b>                   | 32,889  |
| Amortisation of land use rights  | <b>1,659</b>                    | 1,658   |

**8 FINANCE INCOME, NET**

|   | <b>Unaudited</b>                |         |
|---|---------------------------------|---------|
|   | <b>Six months ended 30 June</b> |         |
|   | <b>2014</b>                     | 2013    |
|   | <b>RMB'000</b>                  | RMB'000 |
| Finance income:   |                                 |         |
| Interest income on bank deposits  | <b>8,015</b>                    | 4,405   |
| Finance costs:  |                                 |         |
| Interest expenses on bank borrowings wholly repayable within five years | <b>(16,733)</b>                 | (7,291) |
| Less: amounts capitalised on qualifying assets                          | <b>10,923</b>                   | 3,762   |
| Total finance costs   | <b>(5,810)</b>                  | (3,529) |
| Finance income, net   | <b>2,205</b>                    | 876     |

**NOTES** (Continued)**9 INCOME TAX EXPENSE**

|                          | <b>Unaudited</b>                |         |
|--------------------------|---------------------------------|---------|
|                          | <b>Six months ended 30 June</b> |         |
|                          | <b>2014</b>                     | 2013    |
|                          | <b>RMB'000</b>                  | RMB'000 |
| Current income tax – PRC | <b>7,397</b>                    | 70,195  |
| Deferred income tax      | <b>139</b>                      | 439     |
|                          | <b>7,536</b>                    | 70,634  |

During the six months ended 30 June 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 period.

**10 EARNINGS PER SHARE****(a) Basic earnings per share**

|  | <b>Unaudited</b>                |           |
|--|---------------------------------|-----------|
|  | <b>Six months ended 30 June</b> |           |
|  | <b>2014</b>                     | 2013      |
| Net profit attributable to the equity holders of Company (RMB'000)                         | <b>10,335</b>                   | 186,717   |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000) | <b>1,132,600</b>                | 1,125,600 |
| Basic earnings per share (RMB per share)   | <b>0.01</b>                     | 0.17      |

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

**NOTES** (Continued)**10 EARNINGS PER SHARE** (Continued)**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the net profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period after adjusting for the dilutive potential ordinary shares in respect of the Company's outstanding share options. The potential ordinary shares in respect of the Company's outstanding share options are dilutive for the six months ended 30 June 2013 while they were anti-dilutive for the six months ended 30 June 2014.

|  | Unaudited<br>Six months ended<br>30 June 2013 |
|--|---|
| Net profit attributable to the equity holders of Company (RMB'000)                           | 186,717                                       |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000)   | 1,125,600                                     |
| Adjustment for share options ('000)  | 4,257   |
| Weighted average number of ordinary shares outstanding for diluted earnings per share ('000) | 1,129,857                                     |
| Diluted earnings per share (RMB per share)   | 0.17  |

**11 DIVIDENDS**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

**NOTES** (Continued)**12 CAPITAL EXPENDITURE**

|                                      | Land<br>use rights<br>RMB'000 | Property, plant<br>and equipment<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------------|-------------------------------|---|------------------|
| <b>Six months ended 30 June 2014</b> |                               |   |                  |
| <b>Cost</b>                          |                               |   |                  |
| At 1 January 2014                    | 165,820                       | 1,487,047                                   | 1,652,867        |
| Additions                            | -                             | 27,870                                      | 27,870           |
| Disposals                            | -                             | (150)                                       | (150)            |
| At 30 June 2014                      | 165,820                       | 1,514,767                                   | 1,680,587        |
| <b>Accumulated depreciation</b>      |                               |   |                  |
| At 1 January 2014                    | 18,214                        | 288,034                                     | 306,248          |
| Amortization/depreciation            | 1,659                         | 49,865                                      | 51,524           |
| Disposals                            | -                             | (147)                                       | (147)            |
| At 30 June 2014                      | 19,873                        | 337,752                                     | 357,625          |
| <b>Net book value</b>                |                               |   |                  |
| At 30 June 2014                      | 145,947                       | 1,177,015                                   | 1,322,962        |



**NOTES** (Continued)**12 CAPITAL EXPENDITURE** (Continued)

|                                      | Land<br>use rights<br>RMB'000 | Property, plant<br>and equipment<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------------|-------------------------------|---|------------------|
| <b>Six months ended 30 June 2013</b> |                               |   |                  |
| <b>Cost</b>                          |                               |   |                  |
| At 1 January 2013                    | 165,820                       | 1,214,702                                   | 1,380,522        |
| Additions                            | –                             | 34,512                                      | 34,512           |
| Disposals                            | –                             | (11,422)                                    | (11,422)         |
| At 30 June 2013                      | 165,820                       | 1,237,792                                   | 1,403,612        |
| <b>Accumulated depreciation</b>      |                               |   |                  |
| At 1 January 2013                    | 14,898                        | 223,564                                     | 238,462          |
| Amortization/depreciation            | 1,658                         | 32,889                                      | 34,547           |
| Disposals                            | –                             | (8,016)                                     | (8,016)          |
| At 30 June 2013                      | 16,556                        | 248,437                                     | 264,993          |
| <b>Net book value</b>                |                               |   |                  |
| At 30 June 2013                      | 149,264                       | 989,355                                     | 1,138,619        |

**13 TRADE RECEIVABLES**

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

|                   | <b>Unaudited<br/>30 June<br/>2014<br/>RMB'000</b> | Audited<br>31 December<br>2013<br>RMB'000 |
|-------------------|---|---|
| Less than 30 days | <b>92,684</b>                                     | 206,575                                   |
| 31 days – 90 days | <b>124,209</b>                                    | 88,821                                    |
| Over 90 days      | <b>31,862</b>                                     | 35  |
|                   | <b>248,755</b>                                    | 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.

**NOTES** (Continued)**13 TRADE RECEIVABLES** (Continued)

As at 30 June 2014, trade receivables of RMB31,862,000 (31 December 2013: RMB35,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default and the trade receivables are still considered recoverable. The Group does not hold any collateral as security over these debtors. The ageing analysis of these receivables is as follows:

|   | <b>Unaudited</b><br><b>30 June</b><br><b>2014</b><br><b>RMB'000</b> | Audited<br>31 December<br>2013<br>RMB'000 |
|---|---|---|
| Past due by less than 90 days but not impaired  | <b>31,859</b>   | 35  |
| Past due by 91 days – 180 days but not impaired | <b>3</b>  | –   |
|   | <b>31,862</b>   | 35  |

During the period, no trade receivables were impaired (2013: Nil). As at 30 June 2014 and 31 December 2013, no trade receivables are considered to be impaired.

The carrying amounts of trade receivables approximate their fair values.

**14 TRADE AND OTHER PAYABLES**

|  | <b>Unaudited</b><br><b>30 June</b><br><b>2014</b><br><b>RMB'000</b> | Audited<br>31 December<br>2013<br>RMB'000 |
|--|---|---|
| Trade payables                         | <b>69,429</b>   | 133,477                                   |
| Bills payable                          | <b>7,320</b>  | 27,372                                    |
| Trade and bills payables               | <b>76,749</b>   | 160,849                                   |
| Accrued sales rebates                  | <b>12,564</b>   | 33,311                                    |
| Other accrued expenses                 | <b>8,275</b>  | 15,368                                    |
| Directors' fees and emoluments payable | <b>9,456</b>  | 9,135                                     |
| Sundry creditors                       | <b>39,586</b>   | 42,714                                    |
|  | <b>146,630</b>  | 261,377                                   |

**NOTES** (Continued)**14 TRADE AND OTHER PAYABLES** (Continued)

The credit periods granted by suppliers generally range from 30 to 60 days. As at 30 June 2014 and 31 December 2013, the ageing analysis of trade payables is as follows:

|                   | <b>Unaudited<br/>30 June<br/>2014<br/>RMB'000</b> | Audited<br>31 December<br>2013<br>RMB'000 |
|-------------------|---|---|
| Less than 30 days | <b>39,340</b>                                     | 114,537                                   |
| 31 days – 90 days | <b>28,166</b>                                     | 18,012                                    |
| Over 90 days      | <b>1,923</b>                                      | 928                                       |
|                   | <b>69,429</b>                                     | 133,477                                   |

Bills payable of the Group amounting to RMB7,320,000 (31 December 2013: RMB27,372,000) were secured by pledged bank deposits of RMB2,196,000 (31 December 2013: RMB7,248,000). The bills payable were with average maturity period of within six months. The carrying amounts of trade and other payables approximate their fair values.

**15 BORROWINGS**

|                  | <b>Unaudited<br/>30 June<br/>2014<br/>RMB'000</b> | Audited<br>31 December<br>2013<br>RMB'000 |
|------------------|---|---|
| Non-current      | –   | 386,526                                   |
| Current          | <b>455,024</b>                                    | 63,459                                    |
| Total borrowings | <b>455,024</b>                                    | 449,985                                   |

- (i) 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 utilized during the year ended 31 December 2013, and was pledged by shares of certain wholly-owned subsidiaries of the Company and bank deposit of RMB77,480,000. The Facility has an original term of 36 months commencing from the date of the Facility Agreement. However, during the six months ended 30 June 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 February 2015 and the Company has been waived from the potential event of defaults.
- (ii) As at 30 June 2014, a bank borrowing of RMB4,251,000 (31 December 2013: RMB4,485,000) was secured by land and buildings of RMB9,259,000 (31 December 2013: RMB9,515,000).

**NOTES** (Continued)**16 COMMITMENTS****Capital commitments**

As at 30 June 2014, the Group had the following capital commitments in respect of land use right and property, plant and equipment:

|                                   | <b>Unaudited<br/>30 June<br/>2014<br/>RMB'000</b> | Audited<br>31 December<br>2013<br>RMB'000 |
|-----------------------------------|---|---|
| Authorised but not contracted for |   |   |
| – Land use right                  | <b>50,000</b>                                     | 50,000                                    |
| Contracted but not provided for   |   |   |
| – Property, plant and equipment   | <b>41,487</b>                                     | 7,676                                     |
|                                   | <b>91,487</b>                                     | 57,676                                    |

**17 EVENTS AFTER REPORTING PERIOD**

Subsequent to the period ended 30 June 2014, the Company repurchased 3,623,000 shares of the Company on the Stock Exchange at prices between HK\$1.55 and HK\$1.89 per share. The repurchased shares were not yet cancelled as of the date of this report.

**18 INDEPENDENT REVIEW**

The interim financial report for the six months ended 30 June 2014 is unaudited, but has been reviewed by HLB Hodgson Impey Cheng Limited, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report has also been reviewed by the Audit Committee.

## OTHER INFORMATION

### SHARE OPTION SCHEME

On 23 September 2011, the Company conditionally adopted a share option scheme (the "Share Option Scheme") whereby the board of Directors (the "Board") can grant options for the subscription of shares of the Company (the "Shares") to any directors of the Company ("Directors"), employees and officers of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group who the Board considers that they will contribute or have contributed to the Group (the "Eligible Participants") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing which was 112,560,000 Shares. The total number of Shares which may be issued upon exercise of all the options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the Shares in issue from time to time. Unless otherwise approved by the shareholders of the Company, the number of Shares that may be granted to a Eligible Participant (including both exercised, cancelled and outstanding options) under the Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12-month period must not exceed 1% of the Shares in issue. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share on the date of grant. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is granted and shall remain effective within a period of 10 years from that relevant date of grant.

### MOVEMENTS OF THE SHARE OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

On 30 March 2012, 15,000,000 share options were granted to certain employees of the Group with an exercisable period from 31 March 2012 to 30 March 2017 at an exercise price of HK\$2.68 per Share. There are three vesting periods for these share options. The estimated fair value of these share options was approximately RMB8,003,000, based on the Black-Scholes valuation model. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

None of the options granted as stated above were granted to a director, chief executive or substantial shareholder of the Company nor an associate (as defined in the Listing Rules) of any of them. No options have been granted during the six months ended 30 June 2014 (2013: Nil).

**OTHER INFORMATION** (Continued)**MOVEMENTS OF THE SHARE OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME**  
(Continued)

Movement of the share options granted during the six months ended 30 June 2014 are as follows:

| Grantee and position | Number of ordinary shares subject to share options<br>granted under the Share Option Scheme |                 |                 |                 | Outstanding<br>as at<br>30 June<br>2014 |
|----------------------|---|-----------------|-----------------|-----------------|---|
|                      | Granted   | Exercised       | Lapsed          |                 |   |
|                      | during the  | during the      | during the      |                 |   |
|                      | period ended  | period ended    | period ended    |                 |   |
|                      | 30 June<br>2014   | 30 June<br>2014 | 30 June<br>2014 | 30 June<br>2014 |   |
| Other employees      | 8,000,000   | –               | –               | –               | 8,000,000                               |

**INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES**

As at 30 June 2014, the interest and short positions of the Directors and the chief executives and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code"), are as follows:

**(i) Long position in shares and underlying shares of the Company**

| Name of Director/<br>Chief Executive | Nature of Interest                   | Number of<br>Shares<br>interested | Approximate<br>percentage of<br>interest in<br>the Company | Note |
|--------------------------------------|--------------------------------------|-----------------------------------|--|------|
| Zheng Yu Long                        | Interest of a controlled corporation | 610,915,527                       | 53.94%   | 1    |
|                                      | Beneficial owner                     | 111,308,060                       | 9.83%  | 2    |
| Zheng Yu Shuang                      | Interest of a controlled corporation | 610,915,527                       | 53.94%   | 1    |
| Zheng Yu Huan                        | Interest of a controlled corporation | 610,915,527                       | 53.94%   | 1    |
| Li Hung Kong                         | Interest of a controlled corporation | 610,915,527                       | 53.94%   | 1    |

Notes:

- (1) The 610,915,527 Shares are beneficially owned by Alliance Food And Beverages (Holding) Company Limited ("Alliance Holding"), a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the shares held by Alliance Holding for the purpose of the SFO.
- (2) In addition to the 610,915,527 Shares held through Alliance Holding, Zheng Yu Long is also personally and beneficially interested in 111,308,060 Shares.

**OTHER INFORMATION** (Continued)**INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES** (Continued)**(ii) Long position in shares and underlying shares of the associated corporation**

| Name of Director | Name of associated corporation | Total number of shares held in associated corporation | Approximate percentage of issued share capital of associated corporation |
|------------------|--------------------------------|---|--|
| Zheng Yu Long    | Alliance Holding               | 28  | 28%  |
| Zheng Yu Shuang  | Alliance Holding               | 28  | 28%  |
| Zheng Yu Huan    | Alliance Holding               | 28  | 28%  |
| Li Hung Kong     | Alliance Holding               | 16  | 16%  |

Save as disclosed above, as at 30 June 2014, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS**

As at 30 June 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

| Name of shareholder  | Beneficial owner | Interest of a controlled corporation | Investment manager | Total interest in shares | Approximate percentage of shareholding | Note |
|--|------------------|--------------------------------------|--------------------|--------------------------|--|------|
| Alliance Holding   | 610,915,527      | -                                    | -                  | 610,915,527 (L)          | 53.94%                                 | 2    |
| Zheng Yu Long  | 111,308,060      | 610,915,527                          | -                  | 722,223,587 (L)          | 63.77%                                 | 2    |
| Zheng Yu Shuang  | -                | 610,915,527                          | -                  | 610,915,527 (L)          | 53.94%                                 | 2    |
| Zheng Yu Huan  | -                | 610,915,527                          | -                  | 610,915,527 (L)          | 53.94%                                 | 2    |
| Li Hung Kong   | -                | 610,915,527                          | -                  | 610,915,527 (L)          | 53.94%                                 | 2    |
| Artisan Partners Asset Management Inc  | 61,141,000       | -                                    | -                  | 61,141,000 (L)           | 5.4%                                   | 3    |
| Artisan Partners Holdings LP<br>(formerly known as Artisan Partners Limited Partnership) | -                | 61,141,000                           | -                  | 61,141,000 (L)           | 5.4%                                   | 3    |
| Artisan Partners Limited Partnership   | -                | -                                    | 61,141,000         | 61,141,000 (L)           | 5.4%                                   | 3    |

## OTHER INFORMATION *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS *(Continued)*

Notes:

- (1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.
- (2) The 610,915,527 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the Shares held by Alliance Holding for the purpose of the SFO.
- (3) To the best of the knowledge of the Directors and based on the information publicly available, 61,141,000 ordinary shares of the Company are held by Artisan Partners Limited Partnership as investment manager which is wholly-owned by Artisan Partners Holdings LP which in turn is wholly-owned by Artisan Partners Asset Management Inc.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2014.

### EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2014, the Group had approximately 2,700 employees and total remuneration expenses for the first half of 2014 amounted to RMB52.8 million including amortisation cost of share option of RMB961,000. 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 30 March 2012, the Group has granted 15,000,000 share options to certain employees of the Group with an exercisable period from 31 March 2012 to 30 March 2017 at an exercise price of HK\$2.68 per share. There are three vesting periods for these share options. As at 30 June 2014, 7,000,000 share options were vested and were fully exercised.

### MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2014.

### 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, 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.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the period under review. Subsequent to the period ended 30 June 2014, the Company repurchased 3,623,000 shares of the Company on the Stock Exchange at prices between HK\$1.55 and HK\$1.89 per share. The repurchased shares were not yet cancelled as of the date of this report.





## OTHER INFORMATION *(Continued)*

### AUDIT COMMITTEE

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

The Audit Committee has conducted a review with the Company’s management and the Group’s auditor on the accounting principles and practices adopted by the Group. The Audit Committee and the Group’s auditor have also reviewed the interim results of the Group for the six months ended 30 June 2014.

### CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company’s accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2014, the Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the “**CG Code**”) set out in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set forth therein 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 enquiries with all directors of the Company and all the directors of the Company 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 six months ended 30 June 2014.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float throughout the period for the six months ended 30 June 2014.

### PUBLICATION OF INTERIM REPORT

This interim report is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.lbxxgroup.com>). This report will be despatched to the shareholders of the Company and made available for review on the aforesaid websites.

For and on behalf of the Board  
**Labixiaoxin Snacks Group Limited**

**Zheng Yu Long**  
*Chairman*