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

Contents

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 STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock code: 1262

COMPANY WEBSITE

http://www.lbxxgroup.com
(information contained in this website does not form part of this annual report)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Li Hung Kong *(Vice-Chairman)*
Ren Yunan *(appointed on 3 February 2015)*

Independent Non-Executive Directors

Li Zhi Hai
Sun Kam Ching
Chung Yau Tong

COMPANY SECRETARY

Chan Yee Lok

AUTHORIZED REPRESENTATIVES

Zheng Yu Shuang
Chan Yee Lok

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

Corporate Information

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

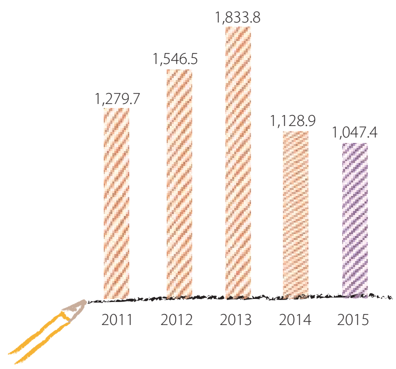
China CITIC Bank, Quanzhou Branch
1-2/F, Renmin Yinhang Building
Quanzhou, Fujian
PRC

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

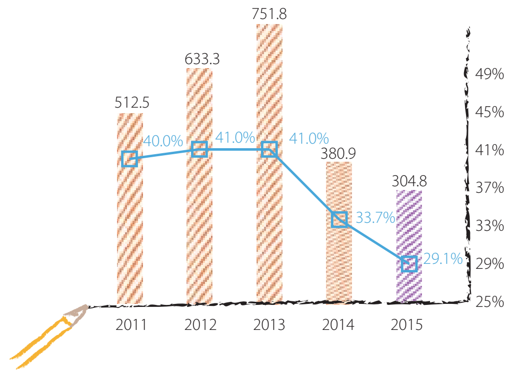
Bank of China, Macau Branch
15/F, Bank of China Building
Avenida Doutor Mario Soares
Macau

Financial Highlights

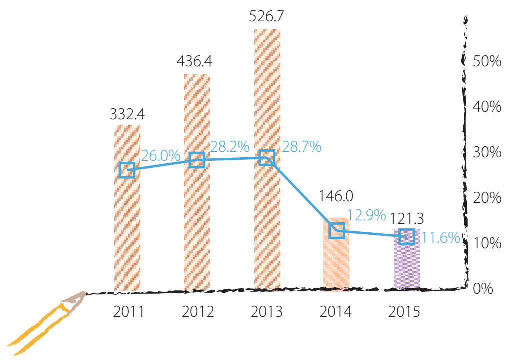
Revenue
RMB'M



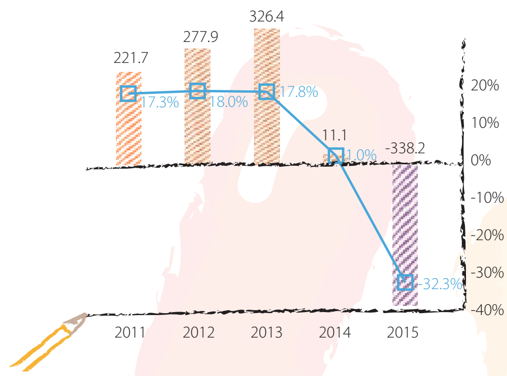
Gross Profit **GP Margin**
RMB'M



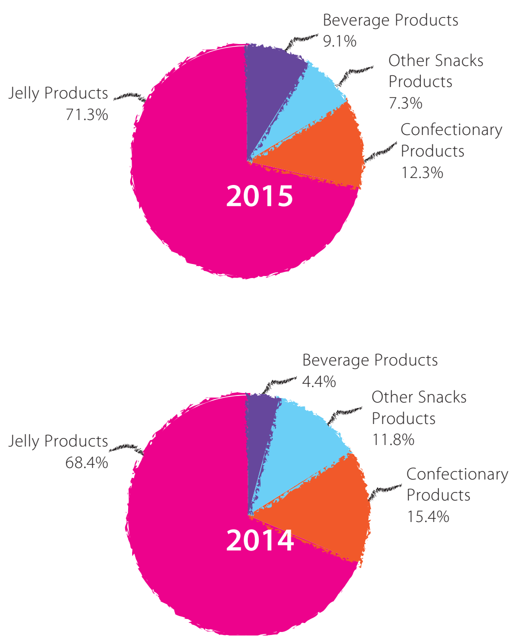
EBITDA *(Note)* **EBITDA Margin**
RMB'M



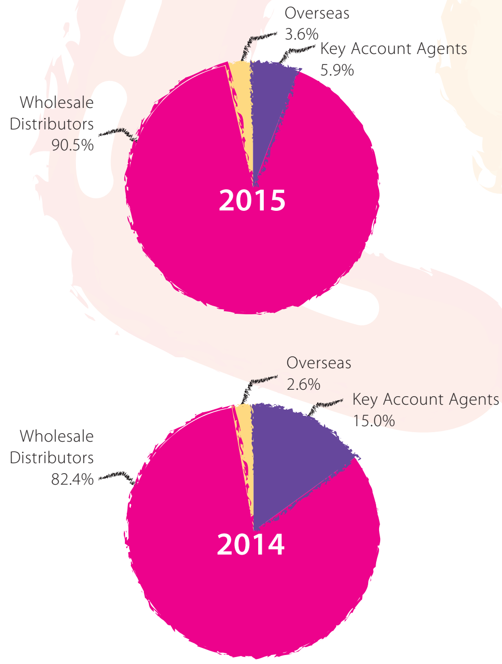
Net Profit **Net Profit Margin**
RMB'M



Revenue by Products



Revenue by Distribution Channels



Note: EBITDA refers to earnings before interest, income tax, depreciation and amortisation and non-cash share based payments and impairment loss on property, plant and equipment.

Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,047,368**	1,128,925	1,833,795	1,546,482	1,279,712
Gross profit	**304,759**	380,873	751,762	633,295	512,499
(Loss)/profit before taxation	**(328,662)**	28,608	449,041	369,239	276,326
Tax expense	**(9,559)**	(17,494)	(122,659)	(91,379)	(54,630)
(Loss)/profit and total comprehensive (loss)/income for the year	**(338,221)**	11,114	326,382	277,860	221,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**1,510,210**	1,536,051	1,472,290	1,267,089	1,003,783
Current assets	**731,162**	739,133	1,230,514	768,900	881,525
Total assets	**2,241,372**	2,275,184	2,702,804	2,035,989	1,885,308
Equity					
Total equity	**1,616,278**	1,946,585	1,930,912	1,658,938	1,433,295
Liabilities					
Non-current liabilities	**31,429**	28,733	414,976	17,410	9,245
Current liabilities	**593,665**	299,866	356,916	359,641	442,768
Total liabilities	**625,094**	328,599	771,892	377,051	452,013
Total equity and liabilities	**2,241,372**	2,275,184	2,702,804	2,035,989	1,885,308

Chairman's Statement

Dear shareholders,

I am pleased to present the annual report of Labixiaoxin Snacks Group Limited (the "**Company**") for the year ended 31 December 2015 and extend my gratitude to all the shareholders on behalf of the board of directors (the "**Board**") of the Company.

Year 2015 was a challenging year for us as the negative impacts of the Toxic Gelatin Incidence continued to persist. In addition, the consumer sentiment in the PRC was weak as a result of slowdown in its GDP growth. With a view to building up our consumers' confidence, our management team had put tremendous efforts in promoting our products such as launching new promotion campaigns for jelly products and introducing new fruit and vegetable beverage products. However, the impacts of these measures are mixed. The sales of our jelly products had been stable when compared with last year while the demand for our beverage products remained unsatisfactory and far below our expectation.

In 2015, the Group recorded a year-to-year decrease in revenue when compared with 2014. The Group's revenue for the year ended 31 December 2015 was RMB1,047.4 million, representing a decrease of approximately 7.2% as compared to the year ended 31 December 2014. The gross profit margin of the Group for the year ended 31 December 2015 decreased by approximately 4.6 percentage points, as compared to year 2014. For the year ended 31 December 2015, the Group recorded a net loss of RMB338.2 million while the net profit of the Group for the year ended 31 December 2014 was RMB11.1 million. Such significant loss for the year ended 31 December 2015 was primarily attributable to the impairment of property, plant and equipment of our beverage segment amounted to RMB317.0 million.

Facing significant challenges, the Group is committed to maintaining our market exposure and promoting our new core products. During the year ended 31 December 2015, the Group had spent RMB139.3 million on advertising and promotion, representing approximately 13.3% of the revenue of year ended 31 December 2015. The Group did not stop its expansion plan in this difficult year either. During the year ended 31 December 2015, we have spent RMB390.4 million in capital expenditure mainly for the upgrade of production lines in various production plants. Furthermore, we have commenced the construction works for the new production base in Fujian this year.

In 2013, we had locked up a 3-year US Dollar syndicated bank loan in Hong Kong. The proceeds were mainly used in the expansion of our production capacity, in particular the beverage products. As at 31 December 2015, the syndicated bank loan had been fully settled. In 2015, the Group had generated RMB62.5 million operating cash inflow which is satisfactory for such difficult year. As at 31 December 2015, the gearing ratio of the Group remained at a healthy level of 17.1%. In December 2015, the Company entered into a placing agreement with a placing agent to issue 200,000,000 new shares of the Company to not less than six independent investees. The placement of new shares was completed in January 2016 and had raised net proceeds of RMB115.2 million. The Group will utilize the net proceeds in the Group's business development and as general working capital of the Group.

Chairman's Statement

In 2015, the financial performance of our core business segment i.e. jelly products became stable. We believe the worst time for the jelly products segment had gone. However, our other non-core business segments, in particular the beverage segment, are still facing various uncertainties and challenges. Management is considering various short-term and long-term measures to improve the financial performance of these segments, including but not limited to launching new products, restructuring of distribution networks and channels, bringing in new business partners etc. We consider that although the road of recovery is still long and challenging, we are cautiously optimistic to the medium to long term of the business.

The Group cannot overcome the difficulties without a strong and committed management team. Therefore I would like to take this opportunity to thanks the Board and my best team of colleagues for providing me with unceasing support during this challenging year. I greatly appreciate your efforts, commitment and unstinting enthusiasm. I look forward to seeing your continuous involvement in our road ahead.

Yours sincerely

ZHENG YU HUAN
Chairman

麦奇蛋点
Megg
开心卷
草莓味
奶油味
布甸果冻
果肉果园
果肉果冻


蜡笔小新
Larbee
Finest Selection
CHOCO
燕麦巧克力
CHEWY
BARS
代可可脂巧克力制品
净含量/规格：150克
图案仅供参考
快乐的每一杯
小新杯
ANGRY BIRDS
图案仅供参考

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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).

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

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.

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.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Management Discussion and Analysis

Business Risk

The snack food industry is subject to changes in consumer perception, preferences and tastes. The Group's business and financial performance depends on factors which may affect the level and pattern of consumer spending in China. Such factors include consumer preferences and tastes, consumer confidence, consumer incomes and consumer perceptions of the safety and quality of the Group's products.

Industrial Risk

The snacks food industry is subject to potential food safety and health issues with the raw materials and finished products. If our raw materials or finished products are alleged or found to be spoiled, contaminated, tampered with, incorrectly labeled, unsafe or otherwise associated with food safety incidents, we could be subject to product liability claims, adverse publicity and regulatory investigation, intervention or penalties, product returns, any of which may result in increased costs as well as damage to our brands and reputation. Food safety and health issues may arise with respect to our products as a result of numerous factors, many of which may be outside our control, including as a result of actions by our suppliers, our subcontracting manufacturers, our distributors, their sub-distributors and key account agents.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Key functions in the Group are guided by their operating procedures, limits of authority and reporting framework. The Group will identify and assess key operational exposures from time to time and report such risk issues to senior management as early as possible so that appropriate risk response can be taken.

Financial Risk

The financial risk management of the Group are set out in Note 4 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

DIRECTORS

ZHENG YU HUAN — Chairman and Executive Director

Mr. Zheng Yu Huan, aged 45, is an executive Director. He was appointed as the chairman of the Board on 17 March 2015. He was appointed as a Director on 15 June 2004 and was re-designated as an executive Director on 23 September 2011. Mr. Zheng is primarily responsible for the Group's overall management in particular on sales and marketing operations, including formulating the advertising and promotional programs. Mr. Zheng is one of the founders of the Group's jelly products business and is also a director of a number of the Group's subsidiaries including LBXX International and Timeluck. Mr. Zheng has over 17 years of experience in sales and marketing of snack food products. He joined the Group in 2000 as a deputy general manager of LBXX Fujian.

From 1996 to 2000, Mr. Zheng was a general manager of the sales and marketing department of Jinjiang Weili Foods Co., Ltd. (晉江市味力食品有限公司). Mr. Zheng received his master's degree in business administration from Renmin University of China (中國人民大學) in 2006. Mr. Zheng graduated from an executive development program for senior management from Xiamen University (廈門大學) in December 2010. Mr. Zheng has also assumed several social positions, such as a representative of the Eleventh Jinjiang Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆福建省晉江市委員會) since 2006, the vice president of the Sixth Fujian Provincial Youth Federation (第六屆福建省青年聯合會), and member of the Tenth Fujian Provincial Youth Federation (第十屆福建省青年聯合會). He was recognized as one of the China Industrial Economy Top 10 Outstanding Youth (中國工業經濟十大傑出青年) in December 2009 by China Industrial Forum (中國工業論壇). Mr. Zheng is the brother of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and the brother-in-law of Mr. Li Hung Kong.

ZHENG YU SHUANG — Chief Executive Officer and Executive Director

Mr. Zheng Yu Shuang, aged 47, is the chief executive officer of the Group and an executive Director. He was appointed as a Director on 1 June 2004 and was re-designated as an executive Director on 23 September 2011. Mr. Zheng is primarily responsible for the overall operations of the Company. He heads the Group's production department and oversees the quality control department. Mr. Zheng is one of the founders of the Group's jelly products business and is also a director of a number of the Group's subsidiaries, including LBXX Investments, LBXX Holdings, LBXX International, LBXX Sichuan, LBXX Anhui, LBXX Fujian, LBXX Tianjin and Timeluck.

Mr. Zheng has over 20 years of experience in the manufacture of snack food products. He joined the Group in 2000 as the general manager of LBXX Fujian. From 1994 to 2000, Mr. Zheng was a general manager of the production and quality control department of Jinjiang Weili Foods Co., Ltd. (晉江市味力食品有限公司). Mr. Zheng received his master's degree in business administration in May 2006 from Renmin University of China (中國人民大學). He received a certificate qualifying as a senior quality control inspector (高級質量(品質) 管理師) from China Professional Development Centre (中國專業人才庫管理中心) in July 2009. Mr. Zheng has also assumed several social positions, such as the honorary chairman of Jinjiang Food Industry Association (晉江市食品行業協會) from 2007 to 2010, a member of the Tianjin Chinese People's Political Consultative Conference (天津市人民政治協商會議) from 2008 to 2012, and the vice-chairman of China National Confectionary Association (中國食協糖果專業委員會) from May 2010 to May 2013. Mr. Zheng is the brother of Mr. Zheng Yu Long and Mr. Zheng Yu Huan and the brother-in-law of Mr. Li Hung Kong.

Biographical Details of Directors and Senior Management

ZHENG YU LONG — Executive Director

Mr. Zheng Yu Long, aged 50, is an executive Director. He was the former chairman of the Group and stepped down from the position as a chairman of the Board since 18 March 2015. He was appointed as a Director on 1 June 2004 and was re-designated as an executive Director on 23 September 2011. Mr. Zheng is primarily responsible for the overall operations, strategic planning and business development of the Group. He is also actively involved in the marketing of the products and branding of the Group, and procurement of raw materials from suppliers. Mr. Zheng is a key contact person between the Group and its business partners. He is one of the founders of the Group's jelly products business and is also a director of the Group's subsidiary, Timeluck. Mr. Zheng joined the Group in 2000 as a managing director of LBXX Fujian. Mr. Zheng has over 21 years of experience in the marketing and manufacturing of snack food products. Since joining the Group in 2000, Mr. Zheng has dedicated the past 15 years to expand and promote the Group's business from a manufacturer of jelly products to a recognized snack food brand in China. From 1991 to 2000, Mr. Zheng was the general manager of Jinjiang Weili Foods Co., Ltd. (晉江市味力食品有限公司), where he was responsible for the daily operations, sales, production, procurement and business development of this company. Through such experiences, Mr. Zheng has developed extensive relationships with the industry partners and is able to keep abreast of the latest development of the snack food industry. Mr. Zheng Yu Long was brought up in the PRC. Mr. Zheng has never been a full time government official of any country, or a full time employee of any state or government-owned/operated entity for a substantial period of time. Mr. Zheng is the brother of Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan and the brother-in-law of Mr. Li Hung Kong.

LI HUNG KONG — Vice Chairman and Non-Executive Director

Mr. Li Hung Kong, aged 47, is the vice-chairman and non-executive Director. He was appointed as a Director on 1 June 2004 and was re-designated as a non-executive Director on 23 September 2011. He is an experienced entrepreneur who has over 19 years of experience in investing and managing manufacturing business. He is also a director of a number of the subsidiaries, including LBXX Investments, LBXX Holdings, LBXX Fujian and Timeluck. Mr. Li joined the Group in 2000 as a director of LBXX Fujian. Prior to joining the Group, Mr. Li founded the following companies in the 1990s, Jinjiang Xingtai Packing Wear Co., Ltd. (晉江市興泰包裝用品有限公司), Fujian Huatai Packing Co., Ltd. (福建華泰包裝用品有限公司), companies engaged in the paper packaging business, and Jen Yuon Trading Co. (晉融貿易公司), a company engaged in commercial trading, and has been as a director in each of these companies since their establishment. Mr. Li is a brother-in-law of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan.

REN YUNAN — Non-Executive Director

Mr. Ren Yunan, aged 40, is a non-executive Director. He was appointed as a non-executive Director on 3 February 2015. Mr. Ren is currently a non-executive director and vice chairman of board of China Child Care Corporation Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), stock code 1259), an independent non-executive director of Ronshine China Holdings Ltd., (a company listed on the Main Board of the Stock Exchange, stock code 3301) and an independent director of SPI Energy Co., Ltd. (a company listed on the Nasdaq of the United States with stock code SPI). During the period from May 2013 to November 2013, Mr. Ren served as an independent non-executive director of Vision Fame International Holding Limited (a company listed on the Main Board of the Stock Exchange, stock code 1315). During the period from March 2012 to June 2015, Mr. Ren also served as an independent director of IDI, Inc. (a company listed on New York Stock Exchange AMEX with stock code IDI). Mr. Ren graduated from Peking University with a bachelor's degree in law in 1997 and received a master's degree in law from Harvard Law School in 1999. Mr. Ren is a non-practicing solicitor in Hong Kong and is qualified to practice law in New York State, the United States of America.

Biographical Details of Directors and Senior Management

LI ZHI HAI **Independent Non-Executive Director**

Mr. Li Zhi Hai, aged 61, is the independent non-executive Director. He was appointed as an independent non-executive Director on 23 September 2011. Mr. Li has over 20 years of experience in the traditional Chinese medicine and health food industries and held key leadership positions in institutions and societies. Mr. Li currently serves as the dean of Tangshan Chinese and Western Medicine Specialist Hospital (唐山中西醫專科醫院) since 1990, the director of Beijing Guofang Traditional Chinese Medicine Research Center (北京國方中醫藥研究院) since 2001, the vice-president of the China Medicine Culture Research Center (中國藥文化研究會) since 2004, and has been serving as the officer and secretary general of National Food Production Association (全國食品產業化委員會), secretary general of National Health and Industry Working Committee (全國健康產業工作委員會), officer of Ecological Health and Industry Development Committee of China (中國生態健康產業發展委員會) and deputy head of Health and Industry Office for National Development and Reform Commission (國家發改委健康產業辦) since 2007.

SUN KAM CHING **Independent Non-Executive Director**

Ms. Sun Kam Ching, aged 43, is the independent non-executive Director. She was appointed as an independent non-executive Director on 23 September 2011. Ms. Sun has over 17 years of experience in business administration and financial management. Ms. Sun joined Jinjiang Aile Group (晉江愛樂集團) ("**Jinjiang Aile**") in 1996 and held various positions in Jinjiang Aile, including head of the sales department of Jinjiang Aile Shoes and Clothing Co., Ltd. (晉江愛樂鞋服公司), a subsidiary of Jinjiang Aile, from 1996 to 2000, the chief sales planning officer of Jinjiang Aile since 2003, and the chief financial officer of Jinjiang Aile since 2005. Ms. Sun has also been responsible for the image consultancy of Jinjiang Aile and is involved in the management of certain subsidiaries of Jinjiang Aile, including Jinjiang Aile Holiday Hotel (晉江愛樂假日酒店) and Shishi Aile Holiday Hotel (石獅愛樂假日酒店) since 2000. Ms. Sun received a bachelor's degree in business administration from Huaqiao University (華僑大學) in 1994. She also attended the training courses for independent non-directors conducted by the Shenzhen Stock Exchange in 2008.

CHUNG YAU TONG **Independent Non-Executive Director**

Mr. Chung Yau Tong, aged 44, is the independent non-executive Director. He was appointed as an independent non-executive Director on 23 September 2011. Mr. Chung has over 20 years of experience in audit practice, financial management and compliance assurance of listed companies in Hong Kong. From 1994 to 2000, Mr. Chung was with PricewaterhouseCoopers, where he last held the position of a manager. Mr. Chung was with CITIC 21CN Company Limited (Stock code: 00241) from 2000 to 2005, where he last held the position as the group financial controller. He was a qualified accountant of Gome Electrical Appliances Holding Company Limited (Stock code: 00493) from 2005 to March 2007. Mr. Chung was the financial controller and company secretary of Vongroup Limited (Stock code: 00318) from March 2007 to December 2007. He currently serves as the financial controller and company secretary of Chaoyue Group Limited (Stock code: 00147) since 2008. Mr. Chung received a bachelor's degree in business administration from The University of Hong Kong in 1994. He is a fellow of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Yap Yung, aged 43, has been appointed as the head of the Group's corporate finance since November 2014. He is responsible for the Group's investor relations and corporate finance matters. Mr. Yap joined the Group as financial controller in 2003 and was appointed Chief Financial Officer and Company Secretary during the period from 2011 till November 2014. Prior to joining the Group in 2003, Mr. Yap was with PricewaterhouseCoopers from 1995 to 2002, where he last held the position of an audit manager. From August 2002 to August 2003, he was a financial controller at Tai Hing Motors (International) Limited (大興汽車(國際)有限公司). Mr. Yap received his bachelor's degree in mechanical engineering from The University of Hong Kong in 1995. Mr. Yap obtained the British Chevening Scholarship in 2003 and completed an advanced management program at Cambridge University in 2003 on scholarship. He is an associate of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan Yee Lok, aged 41, is the Group's Chief Financial Officer and Company Secretary since November 2014. He is responsible for the Group's accounting, finance and company secretarial matters. Prior to joining the Group in August 2014, Mr. Chan had worked in international accounting firms and companies listed on the Main Board of the Stock Exchange and possessed over 17 years of accounting, financing, auditing and company secretarial experience. Mr. Chan graduated from City University of Hong Kong with a Bachelor's Degree with honours in Accountancy in 1997. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. Lian Xi, aged 53, is the head of the Group's sales and marketing department. He is responsible for the overall sales and marketing of the Group's products. He has over 16 years of experience in the food production industry. Mr. Lian joined the Group in 2002 as the production manager of LBXX Fujian. From 1984 to 1992, Mr. Lian worked at Fujian Pharmaceutical (福州製藥廠) where he last held the position of an assistant engineer. Prior to joining us in 2002, Mr. Lian was the manager of the marketing department and the deputy manager of the sales department of Fujian Lv De Biology Holding Ltd. (福建綠得生物股份有限公司). Mr. Lian received his bachelor's degree in light industrial machinery from Fuzhou University (福州大學) in 1984, his postgraduate certificate in business administration from the Open University of Hong Kong in 2001, and his master's degree in business administration from the Open University of Hong Kong in 2003.

Mr. Chen Jian Ming, aged 51, is the head of the Group's procurement department. He is primarily responsible for the sourcing and procurement of raw materials for the Group. He has over 16 years of commercial experience. Mr. Chen joined the Group in 2010. Prior to joining us, Mr. Chen served in various positions at China Construction Bank, Quanzhou branch (中國建設銀行泉州分行) between January 1990 and October 2010, including deputy branch manager, deputy manager and manager of the credit department. Mr. Chen received a bachelor's degree in finance from Hunan University (湖南大學) through online courses in July 2005. He is also recognized as a qualified professional in economics (經濟師) by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人事部).

Mr. Zhang Xiao Dong, aged 45, is the head of research and development and the Group's quality control department. He is responsible for the administration of the development and quality control of the Group's products. He has also been the director of the technical department of LBXX Fujian since February 2010. He has over 16 years of experience in product engineering and product research. Mr. Zhang joined us in May 2005 as the manager of the quality technological department of LBXX Fujian. From July 1994 to December 1995, he was a technician at the food production base of Lanzhou military headquarters (蘭州軍區司令部副食品生產基地). From May 2002 to April 2005, he was a research engineer at Hainan Yi De Food Products Co., Ltd. (海南億德食品有限公司). Mr. Zhang received a bachelor's degree in food engineering from Gansu Agricultural University (甘肅農業大學) in June 1994.

Save as otherwise disclosed, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51 B(1) of the Listing Rules.

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote stringent corporate governance practices and procedures with a view to safeguard the interests of shareholders as well as 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 ("**CG 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.

The Company continues to review its corporate governance practices regularly to ensure compliance with the CG Code.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objectives of enhancing shareholders' value including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance. The Board has delegated to the chief executive officer, of which the directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Board Composition

As at the date of this Annual Report, the Board comprises eight members in total, with three executive directors, two non-executive directors and three independent non-executive directors.

Corporate Governance Report

The composition of the Board during the year ended 31 December 2015 and up to the date of this Annual Report is set out below:

Executive Directors

Mr. Zheng Yu Huan	*(appointed as Chairman on 18 March 2015)*
Mr. Zheng Yu Shuang	*(Chief Executive Officer)*
Mr. Zheng Yu Long	

Non-Executive Directors

Mr. Li Hung Kong	*(Vice-chairman)*
Mr. Ren Yunan	*(appointed on 3 February 2015)*

Independent Non-Executive Directors

Mr. Li Zhi Hai
Ms. Sun Kam Ching
Mr. Chung Yau Tong

The biographical details of the current Board members are set out under the section headed "Directors and Senior Management" on pages 17 to 20 of this Annual Report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan are brothers and Mr. Li Hung Kong is a brother-in-law of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan. Save as disclosed, there is no other relationship among the members of the Board.

Chairman and Chief Executive Officer

During the year ended 31 December 2015, the roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

Corporate Governance Report

The Chairman of the Board is Mr. Zheng Yu Huan, and the Chief Executive Officer is Mr. Zheng Yu Shuang. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and to maintain a balance of views and judgement. With the support of the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Appointment and Re-election of Directors

Each of the executive and non-executive directors of the Company has entered into a service agreement for a term of three years, and the appointment may be terminated by not less than three month's written notice; while each of the independent non-executive directors of the Company has entered into a letter of appointment for a term of one year. The appointment may be terminated by not less than three months' written notice.

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Nomination Committee is to be responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

The senior management, including Chief Executive Officer, Chief Financial Officer and Company Secretary, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

The Company's Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Corporate Governance Report

Directors' Attendance Records

During the year ended 31 December 2015, four Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings and the 2015 annual general meeting (the "**2015 AGM**") during the year ended 31 December 2015 are set out below:

	Attendance/Number of Meetings	
Name of Director	**Board Meetings**	**2015 AGM**
Mr. Zheng Yu Huan	4/4	1/1
Mr. Zheng Yu Shuang	4/4	1/1
Mr. Zheng Yu Long	4/4	0/1
Mr. Li Hung Kong	4/4	1/1
Mr. Ren Yunan	4/4	0/1
Mr. Li Zhi Hai	4/4	1/1
Ms. Sun Kam Ching	4/4	1/1
Mr. Chung Yau Tong	4/4	1/1

Continuous Professional Development

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed Director or alternative Director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements. The Group also provided briefings and other training to develop and refresh the Director' knowledge and skills from time to time. Further, the Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2015, there was one in-house seminar conducted in connection with the disclosure requirements on notifiable transactions and connected transactions under the Listing Rules of which all the directors of the Company had attended. In addition, some of the directors also attended external seminars and/or conferences during the year under review. All directors also read materials in relation to regular update to statutory requirements, listing rules and other relevant topics related to listed company.

Name of Director	Types of training
Mr. Zheng Yu Huan	B
Mr. Zheng Yu Shuang	B
Mr. Zheng Yu Long	B
Mr. Li Hung Kong	B
Mr. Ren Yunan	A,B
Mr. Li Zhi Hai	A,B
Ms. Sun Kam Ching	A,B
Mr. Chung Yau Tong	A,B

A: attending external seminars and/or conferences

B: reading newspapers, journals and updates relating to the economy, general business, director's training and responsibilities etc.

During the year ended 31 December 2015, the Company Secretary has taken not less than 15 hours of relevant professional training.

Corporate Governance Report

Model Code for 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 to the Listing Rules (the "**Appendix 10**") and devised its own code of conduct regarding directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code as set out in Appendix 10.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the Chief Executive Officer and the senior management for the discharge of its responsibilities.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference, which are available to shareholders on the Company's website. Each of the Nomination Committee, the Remuneration Committee and the Audit Committee are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Corporate Governance Report

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Zheng Yu Shuang, Mr. Li Zhi Hai and Mr. Chung Yau Tong, the majority of which are independent non-executive directors, with Mr. Li Zhi Hai acting as the chairman of the Nomination Committee. The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

During the year ended 31 December 2015, the Nomination Committee was primarily responsible:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- to assess the independence of Independent Non-Executive Directors, having regard to the requirements under the applicable laws, rules and regulations; and
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors and, in particular, the chairman and the chief executive officer of the Company.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year under review, details of attendance are set out below:

Nomination Committee Members	**Attendance/ Number of Meeting**
Mr. Li Zhi Hai *(Chairman of Nomination Committee)*	1/1
Mr. Zheng Yu Shuang	1/1
Mr. Chung Yau Tong	1/1

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Zheng Yu Long, Ms. Sun Kam Ching, and Mr. Chung Yau Tong, the majority of which are independent non-executive directors, with Ms. Sun Kam Ching acting as the chairman of the Remuneration Committee. The Remuneration Committee is responsible for making recommendations to the Directors' remuneration and other benefits.

The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the provisions of the CG Code. Pursuant to Code Provision B.1.4 of the CG Code, the Remuneration Committee would make available its terms of reference, explaining its role and the authority delegated to it by the Board.

During the year ended 31 December 2015, the Remuneration Committee was primarily responsible:

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management;
- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve compensation payable to Executive Directors and senior management members of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the year ended 31 December 2015 and the details of attendance are set out below:

Remuneration Committee Members	Attendance/ Number of Meeting
Ms. Sun Kam Ching *(Chairman of Remuneration Committee)*	1/1
Mr. Zheng Yu Long	1/1
Mr. Chung Yau Tong	1/1

Audit Committee

The Audit Committee comprises three members, namely Mr. Li Zhi Hai, Ms. Sun Kam Ching, and Mr. Chung Yau Tong, all of which are independent non-executive directors, with Mr. Chung Yau Tong acting as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information and reporting process, risk management and internal control systems and to provide advice and comments to the Board.

Corporate Governance Report

During the year ended 31 December 2015, the Audit Committee was primarily responsible:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss with management the risk management and internal control systems and ensure that management has discharged its duty to have effective systems;
- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- to review the Group's financial and accounting policies and practices;
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response; and
- to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter.

The Audit Committee held two meetings during the year ended 31 December 2015 and the details of attendance are set out below:

Audit Committee Members	**Attendance/ Number of Meeting**
Mr. Chung Yau Tong *(Chairman of Audit Committee)*	2/2
Mr. Li Zhi Hai	2/2
Ms. Sun Kam Ching	2/2

Corporate Governance Functions

During the period under review, the Audit Committee is also responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;

- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Controls

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company. The Company has engaged an external consulting firm to conduct a review of the effectiveness of the system of internal control of the major operating subsidiaries of the Group including recommendations to enhance the overall internal control system for the year ended 31 December 2015. The internal control review report has been approved by Audit Committee and the Board on information furnished to it and/or its own observations, the Board is satisfied with the present internal control system. The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor and senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 42 and 43.

During the year ended 31 December 2015, the Group's external auditor provided the following services to the Group:

Type of Services	Service fees RMB'000
Statutory audit services	4,161
Non-audit services – taxation	13
Total	4,174

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as the respective chairman of each of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

The annual general meeting regarding the financial results for the year ended 31 December 2015 ("**AGM**") will be held on Thursday, 2 June 2016. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDER RIGHTS

Convening a special general meeting by shareholders

Procedures for shareholders to convene a special general meeting (including making proposals/moving a resolution at the special general meeting)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.

- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at an extraordinary/a special general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to 7th Floor, AT Tower, 180 Electric Road, North Point, Hong Kong or by email to *1262@lbxxgroup.com*.

Corporate Governance Report

INVESTOR RELATIONS

Amendments to the bye-laws and adoption of new bye-laws of the Company

At the annual general meeting of the Company held on 31 May 2013, the shareholders approved the amendments to the bye-laws and adoption of new bye-laws of the Company. The details of the major amendments are set out in the Circular of the Company dated 30 April 2013.

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at *http://www.lbxxgroup.com*, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted are available for public access.

During the year under review, the Directors and senior management of the Company participated in numerous investor conferences/ meetings. In addition, the Company also maintains regular communication with the media through press conferences, news releases to the media and on the Company's website, and answering enquiries from the media.

Disclaimer

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by its shareholders in reliance on any contents of this section headed "Shareholders' Rights".

Directors' Report

The Board of Directors (the "**Board**") is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 32 to the financial statements.

The principal activities of the Group are the manufacturing and sale of jelly products, confectionary products, beverages products and other snacks products in the PRC.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2015 are provided in the section headed "Chairman's Statement" on pages 6 and 7 and the section headed "Management Discussion and Analysis" on pages 10 to 16 of this Annual Report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" of the report of the Directors on pages 32 to 41 of this Annual Report.

An analysis of the Group's performance during the year ended 31 December 2015 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 10 to 16 of this Annual Report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the paragraph headed "Environmental, Social and Governance" of the report of the Directors on pages 32 to 41 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44.

DIVIDENDS

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

There is no arrangement under which a shareholder has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 31 May 2016 to Thursday, 2 June 2016 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Monday, 30 May 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 15 to the consolidated financial statements.

Directors' Report

BORROWINGS

Particular of the borrowings of the Group as at 31 December 2015 is set out in Note 25 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 26 to the consolidated financial statements.

RESERVES

The movements in the reserves of the Group during the year are set out on page 47 of the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and other assets and liabilities of the Group for the last five financial years is set out on page 5 of the Annual Report.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

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

Non-Executive Directors:

Mr. Li Hung Kong *(Vice-chairman)*
Mr. Ren Yunan *(appointed on 3 February 2015)*

Independent Non-Executive Directors:

Mr. Li Zhi Hai
Ms. Sun Kam Ching
Mr. Chung Yau Tong

In accordance with bye-law 84 of the Company's Bye-law, Mr. Zheng Yu Huan, Mr. Li Hung Kong and Mr. Li Zhi Hai shall retire from office as Directors by rotation at the forthcoming annual general meeting. All retiring Directors, being eligible for re-election, will offer themselves for re-election at the forthcoming annual general meeting.

Biographical details of Directors are set out on pages 17 to 20 of this Annual Report.

DIRECTORS' EMOLUMENTS

The emoluments of the Directors had been determined with reference to the Director's duties, responsibilities, performance and the results of the Group. Details of the remuneration of the Directors are set out in Note 27 to the consolidated financial statements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company is satisfied with the independent status and considered all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has an outstanding service contract which is not terminable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Bye-laws.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the respective interests and short positions of the Directors and the chief executive and their associates in the shares of the Company and 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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 the Model Code for Securities Transactions by Directors of Listed Companies as set forth in Appendix 10 of the Listing Rules (the "**Model Code**"), were as follows:

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

Name of Director/ Chief Executive	Nature of interest	Number of shares interested	Approximate percentage of interest in the Company	*Note*
Zheng Yu Long	Interest of a controlled corporation	610,915,527	54.1%	*1*
	Beneficial owner	117,496,060	10.4%	*2*
Zheng Yu Shuang	Interest of a controlled corporation	610,915,527	54.1%	*1*
Zheng Yu Huan	Interest of a controlled corporation	610,915,527	54.1%	*1*
Li Hung Kong	Interest of a controlled corporation	610,915,527	54.1%	*1*
Ren Yunan	Interest of a controlled corporation	100,000,000	8.9%	*3*

Directors' Report

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 117,496,060 Shares.

(3) Ms. Lin Ying, the spouse of Ren Yunan, is the sole director of and interested in the entire issued share capital of Thriving Market Limited. Accordingly, Ren Yunan is deemed to be interested in the entire issued share capital of Thriving Market Limited by virtue of SFO. As at 31 December 2015, Thriving Market Limited was holding 100,000,000 unlisted warrants of the Company issued on 1 September 2014 pursuant to the subscription agreement dated 18 August 2014 between the Company and Thriving Market Limited. Upon the full exercise of the subscription rights attaching to such 100,000,000 warrants, Thriving Market Limited will hold approximately 8.14% of the enlarged issued share capital of the Company (assuming that there will not be any change in the issued share capital of the Company before the exercise of such subscription rights).

(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%
Ren Yunan	Thriving Market Limited	1	100%

Save as disclosed above, as at 31 December 2015, 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.

Directors' Report

SHARE OPTIONS

On 23 September 2011, a share option scheme (the "**Share Option Scheme**") was conditionally adopted by the written resolutions of the shareholders of the Company.

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph (b) below) to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view (i) to motivating the Eligible Participants to optimize their performance efficiency to the benefit of the Group; and (ii) to attracting and retaining or otherwise maintaining an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The Directors may, at their discretion, invite any Directors, employees and officers of any member of the Group and any advisors, 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, in its sole discretion, have contributed or will contribute to the Group to participate in the Share Option Scheme.

Initially, the maximum number of shares which may be issued upon the exercise of all the options to be granted 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) 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, representing approximately 8.5% of the issued share capital of the Company as at the date of this Annual Report. The total number of shares which may be issued upon the 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 approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each 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.

The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of grant. At the time of the grant of the options, the Company may specify any performance target(s) which must be achieved before the options can be exercised. The Share Option Scheme does not contain any performance targets.

The subscription price for the shares of the Company being the subject of the options shall be no less than the higher of (i) the closing price of the shares as stated in the daily quotation sheet issued by the HK Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the HK Stock Exchange for the five HK Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

The amount payable by a grantee on the acceptance of a grant of options is HK$1.00. There is no minimum period for which an option granted must be held before it can be exercised unless otherwise imposed by the Directors.

Directors' Report

The following are details of the options granted pursuant to the Share Options Scheme but not yet exercised during the year ended 31 December 2015:

Grantee and position	Date of grant of options	Exercise price	Number of options granted	Number of options granted during the year	Number of options exercised/ cancelled/ lapsed during the year	Number of options not yet exercised on 31 December 2015	Approximate percentage of shareholding upon the exercise of the options
Other employees	30 March 2012	HK$2.68	15,000,000	–	–	8,000,000	0.71%
Other employees	30 September 2014	HK$1.19	33,000,000	–	–	33,000,000	2.92%
Other employees	10 July 2015	HK$0.89	30,000,000	30,000,000	–	30,000,000	2.66%
Total			78,000,000	30,000,000	–	71,000,000	6.29%

On 10 July 2015, 30,000,000 share options were granted to certain employees of the Group with an exercisable period from 13 July 2015 to 12 July 2020 at an exercise price of HK$0.89 per Share. All of these share options were immediately vested.

During the year ended 31 December 2015, no options 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.

The Share Option Scheme will remain in force for a period of 10 years commencing from 23 September 2011.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, fellow subsidiaries or subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

At 31 December 2015, 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 interests in shares *(Note 1)*	Approximate percentage shareholding	*Note*
Alliance Holding	610,915,527	–	–	610,915,527 (L)	54.1%	*2*
Zheng Yu Long	117,496,060	610,915,527	–	728,411,587 (L)	64.5%	*2*
Zheng Yu Shuang	–	610,915,527	–	610,915,527 (L)	54.1%	*2*
Zheng Yu Huan	–	610,915,527	–	610,915,527 (L)	54.1%	*2*
Li Hung Kong	–	610,915,527	–	610,915,527 (L)	54.1%	*2*
Thriving Market Limited	100,000,000	–	–	100,000,000 (L)	8.9%	*3*
Lin Ying	–	100,000,000	–	100,000,000 (L)	8.9%	*3*
Ren Yunan	–	100,000,000	–	100,000,000 (L)	8.9%	*3*

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) Ms. Lin Ying, the spouse of Ren Yunan, is the sole director of and interested in the entire issued share capital of Thriving Market Limited. Accordingly, Ren Yunan is deemed to be interested in the entire issued share capital of Thriving Market Limited by virtue of SFO. As at 31 December 2015, Thriving Market Limited was holding 100,000,000 unlisted warrants of the Company issued on 1 September 2014 pursuant to the subscription agreement dated 18 August 2014 between the Company and Thriving Market Limited. Upon the full exercise of the subscription rights attaching to such 100,000,000 warrants, Thriving Market Limited will hold approximately 8.14% of the enlarged issued share capital of the Company (assuming that there will not be any change in the issued share capital of the Company before the exercise of such subscription rights).

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 31 December 2015.

CONNECTED TRANSACTIONS

Neither the Group nor the Company has entered into any connected transactions and/or continuing connected transactions as defined under Chapter 14A of the Listing Rules during the year under review.

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).

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

As at 31 December 2015, the Group had approximately 2,020 full-time employees. The Group recruited and promoted individual persons according to their strength and development potential. The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the market rates, workload and responsibilities and general economic situation.

LITIGATION AND ARBITRATION

As at the date of this report, there was no outstanding or pending litigation and arbitration for the Group.

ISSUE OF NEW SHARES AND 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 20% of the existing issued share capital of the Company as at the date of the Placing Agreement, and (ii) approximately 16.67% 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$178.4 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 currently held in cash and cash equivalents and intended that it will be applied in the manner consistent with the proposed allocations.

SUFFICIENCY OF PUBLIC FLOAT

The Company had maintained a sufficient public float throughout the year ended 31 December 2015.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's largest customer and five largest customers accounted for approximately 3.4% (2014: 2.3%) and 8.8% (2014: 9.0%) of the Group's total turnover for the year, respectively.

During the year under review, the Group's largest supplier and five largest suppliers accounted for approximately 13.9% (2014: 8.2%) and 34.8% (2014: 32.5%) of the Group's total purchases for the year, respectively.

Directors' Report

None of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards and high quality products to its customers. During the year under review, there was no material and significant dispute between the Group and its suppliers and/or customers.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

On 25 February 2013, the Company as borrower entered into a facility agreement (the "**Facility Agreement**") with certain banking institutes as original lenders in relation to a US$75,000,000 term loan facility for a term of 36 months commencing from the date of the Facility Agreement. The Facility Agreement included a condition imposing specific performance obligations on Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong, the controlling shareholders of the Company (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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Protection

Environmental conservation remains a key focus for the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection and comply with environmental legislation and promote awareness towards environmental protection to the employees.

The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conversation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management. Several measures have been implemented by the Group in order to promote environmental protection.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The audit committee of the Company is delegated by the Board to monitor the Group's practices on compliance with legal and regulatory requirements. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. The Group also establishes and implements policies that promote a harmony and respectful workplace.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organized charitable and staff-friendly activities for employees, such as outings, sport match and health talks to provide communication opportunities among staff, which are vital to promote staff relationship and physical fitness.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provides health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to medical insurance benefits as well as other health awareness programs.

Training and Development

The Group is committed to the professional and personal development and growth of all employees and considers training and development a continual process. Many on- and off-the-job training courses and programs are provided to help employees develop and maintain consistency, proficiency and professionalism. Structured training programmes including courses, seminars and workshops are offered to staff at all levels with the objective of grooming and unleashing their full potential, supporting, organizational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

AUDITORS

On 12 May 2014, PricewaterhouseCoopers has resigned as auditors of the Company. The Board has appointed HLB Hodgson Impey Cheng Limited ("**HLB**"), as the new auditors of the Company.

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

The financial statements for the year ended 31 December 2015 have been audited by HLB. A resolution will be proposed in the forthcoming annual general meeting to re-appoint HLB as auditors of the Company.

On behalf of the Board
Labixiaoxin Snacks Group Limited

Zheng Yu Huan
Chairman
Hong Kong, 24 March 2016

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

TO THE SHAREHOLDERS OF
LABIXIAOXIN SNACKS GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Labixiaoxin Snacks Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 100, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 24 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	6	**1,047,368**	1,128,925
Cost of sales		**(742,609)**	(748,052)
Gross profit		**304,759**	380,873
Other income and gain	7	**15,857**	21,236
Other losses	8	**(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	9	**120**	(2,070)
(Loss)/profit before taxation	10	**(328,662)**	28,608
Tax expense	11	**(9,559)**	(17,494)
(Loss)/profit and total comprehensive (loss)/income for the year		**(338,221)**	11,114
(Loss)/earnings per share attributable to equity holders of the Company (RMB per share)	12		
– Basic		**(0.30)**	0.01
– Diluted		**(0.30)**	0.01

Details of dividends to equity holders of the Company are set out in Note 13.

The notes on pages 49 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	*14*	**140,974**	144,290
Property, plant and equipment	*15*	**1,217,995**	1,268,097
Deposits for property, plant and equipment	*16*	**95,400**	98,130
Deferred income tax assets	*17*	**55,841**	25,534
		1,510,210	1,536,051
Current assets			
Inventories	*18*	**97,439**	93,432
Trade receivables	*19*	**194,082**	175,308
Prepayments and other receivables	*20*	**75,270**	54,245
Loan receivable	*21*	**220,000**	–
Pledged bank deposits	*22*	**–**	4,374
Cash and cash equivalents	*23*	**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	*26*	**405,030**	405,030
Share premium	*26*	**563,056**	563,056
Other reserves	*33*	**93,266**	85,352
Retained earnings		**554,926**	893,147
Total equity		**1,616,278**	1,946,585

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*17*	**31,429**	28,733
Current liabilities			
Trade and other payables	*24*	**313,352**	180,320
Borrowings	*25*	**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

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2016 and are signed on its behalf by:

Zheng Yu Huan	**Zheng Yu Shuang**
Director	*Director*

The notes on pages 49 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note 33(a))	Statutory reserves RMB'000 (Note 33(b))	Share option reserve RMB'000	Currency translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance as at 1 January 2014		406,133	566,809	(87,600)	155,214	3,522	(41)	–	886,875	1,930,912
Profit and total comprehensive income for the year		–	–	–	–	–	–	–	11,114	11,114
Issue of warrants	*34*	–	–	–	–	–	–	858	–	858
Employee share-based payments		–	–	–	–	8,557	–	–	–	8,557
Repurchase and cancellation of ordinary shares		(1,103)	(3,753)	–	–	–	–	–	–	(4,856)
Transfer to statutory reserves	*33(b)*	–	–	–	4,842	–	–	–	(4,842)	–
Balance as at 31 December 2014		405,030	563,056	(87,600)	160,056	12,079	(41)	858	893,147	1,946,585
Balance as at 1 January 2015		**405,030**	**563,056**	**(87,600)**	**160,056**	**12,079**	**(41)**	**858**	**893,147**	**1,946,585**
Loss and total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(338,221)**	**(338,221)**
Employee share-based payments		**–**	**–**	**–**	**–**	**7,914**	**–**	**–**	**–**	**7,914**
Balance as at 31 December 2015		**405,030**	**563,056**	**(87,600)**	**160,056**	**19,993**	**(41)**	**858**	**554,926**	**1,616,278**

The notes on pages 49 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	*35*	**99,636**	164,990
Income tax paid		**(37,144)**	(46,766)
Net cash generated from operating activities		**62,492**	118,224
Cash flows from investing activities			
Purchase of property, plant and equipment		**(334,978)**	(164,691)
Deposits paid for property, plant and equipment		**(55,400)**	(1,790)
Increased in loan receivable		**(220,000)**	–
Proceeds from disposal of property, plant and equipment		**–**	8,953
Interest received on bank deposits		**2,397**	10,175
Interest received on loan receivable		**6,717**	–
Net cash used in investing activities		**(601,264)**	(147,353)
Cash flows from financing activities			
Proceeds from borrowings		**277,315**	–
Repayments of borrowings		**(116,574)**	(334,708)
Decreased in pledged bank deposits		**4,374**	11,840
Proceeds from issue of new shares		**115,248**	–
Proceeds from issue of warrants		**–**	858
Payment for repurchase of ordinary shares		**–**	(4,856)
Interest paid		**(8,994)**	(24,427)
Net cash generated from/(used in) financing activities		**271,369**	(351,293)
Net decrease in cash and cash equivalents		**(267,403)**	(380,422)
Cash and cash equivalents as at the beginning of the year		**411,774**	792,196
Cash and cash equivalents as at the end of the year		**144,371**	411,774

The notes on pages 49 to 100 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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 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").

These consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 24 March 2016.

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.

Notes to the Consolidated Financial Statements

2 Basis of preparation (Continued)

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

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.

2 Basis of preparation (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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

Notes to the Consolidated Financial Statements

2 Basis of preparation (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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.

2 Basis of preparation (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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.

Notes to the Consolidated Financial Statements

2 Basis of preparation (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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.

Notes to the Consolidated Financial Statements

2 Basis of preparation (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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 IAS17. 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.

Notes to the Consolidated Financial Statements

2 Basis of preparation (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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 IAS7 (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.

2 Basis of preparation (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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 qualify 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.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

3 Summary of significant accounting policies (Continued)

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "other losses".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Useful lives
Leasehold land classified as finance lease	20 years
Buildings	20 years
Plant and equipment	5 -10 years
Motor vehicles	5 years
Leasehold improvements	5 years

Construction in progress represents costs incurred in the construction of property, plant and equipment and other tangible assets. Costs comprise direct and indirect costs of construction, including borrowing costs incurred during the period of construction.

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are ready for its intended use. When the assets concerned are brought to use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses" in the consolidated statement of profit or loss and other comprehensive income.

3.5 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of leases.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.6 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.8 Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of comprehensive income.

3.8.1 Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss, of which interest income is included in net gains or losses.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.8 Financial instruments (Continued)

3.8.1 Financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets at FVTPL comprise financial assets held for trading purpose and derivative financial instruments that are not designated as effective hedging instruments. At the end of each reporting period date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated statement of comprehensive income in the period in which they arise.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below). An impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iv) AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as any of the other categories. At the end of each reporting period subsequent to initial recognition, AFS financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in consolidated statement of profit or loss and other comprehensive income. Any impairment losses on AFS financial assets are recognised in consolidated statement of profit or loss and other comprehensive income. Impairment losses on AFS equity investments will not reverse in subsequent periods. For AFS debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in consolidated statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

During the ended of reporting period, the Group did not hold any significant financial assets at fair value through profit or loss and available-for-sale financial assets.

3 Summary of significant accounting policies (Continued)

3.8 Financial instruments (Continued)

3.8.1 Financial assets (Continued)

(v) Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

(1) significant financial difficulty of the issuer or counterparty;

(2) breach of contract, such as a default or delinquency in interest or principal payments; or

(3) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period over 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on AFS equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.8 Financial instruments (Continued)

3.8.2 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at fair value through profit or loss, of which the interest expense is included in "Finance income/(costs), net".

(ii) Other financial liabilities

Other financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

(iii) Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(iv) Warrants

Warrants issued by the Company that will be settled by other than a fixed amount of cash for a fixed number of the Company's own equity instruments are derivative financial instruments. Warrants classified as derivative financial instruments are recognised at their fair values at the date of issue. Changes in fair values in subsequent periods are recognised through profit or loss.

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The net proceeds received from the issue of warrants is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in the warrant reserve will be transferred to accumulated losses.

3 Summary of significant accounting policies (Continued)

3.8 Financial instruments (Continued)

3.8.2 Financial liabilities and equity instruments (Continued)

(v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred or the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated statement of profit or loss and other comprehensive income.

For financial liabilities, they are removed from the Group's consolidated statement of financial positions when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated statement of profit or loss and other comprehensive income.

3.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.10 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, less bank overdrafts and pledged deposits. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3.11 Share capital

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3.12 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.13 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

3.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company's subsidiaries, associated company and jointly controlled entity operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 Summary of significant accounting policies (Continued)

3.14 Current and deferred income tax (Continued)

Deferred income tax liabilities is provided on taxable temporary differences arising on investments in subsidiaries and associated company, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15 Employee benefits

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as social security plans in the PRC, and the Group has no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

3.16 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets and remaining employees of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss and other comprehensive income on a straight- line basis over the expected lives of the related assets.

3.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Sale of goods

Revenue from sale of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

It is the Group's policy to sell its products to the customers with a right to return due to quality issues caused by the Group. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Rental income

Rental income under operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease periods.

3 Summary of significant accounting policies (Continued)

3.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

3.22 Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

- (i) has control or joint control over the group;
- (ii) has significant influence over the group; or
- (iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to market risks (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk

(i) Currency risk

The Group's dominant operations are in the PRC and most of the transactions are denominated in RMB. Entities in the Group sometimes transact in currencies other than RMB. The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the Hong Kong Dollar ("HKD") and USD.

Currency risk arises when transactions are denominated in foreign currencies.

The Group's currency exposure as at 31 December 2015 and 2014 is as follows:

	RMB RMB'000	**HKD** RMB'000	**USD** RMB'000	**Total** RMB'000
As at 31 December 2015				
Financial assets				
Cash and cash equivalents	**25,331**	**117,987**	**1,053**	**144,371**
Trade and other receivables	**267,973**	**128**	**–**	**268,101**
Loan receivable	**220,000**	**–**	**–**	**220,000**
Financial liabilities				
Trade and other payables	**(188,182)**	**(9,922)**	**–**	**(198,104)**
Borrowings	**(75,000)**	**(3,822)**	**(197,196)**	**(276,018)**
Net financial assets/(liabilities)	**250,122**	**104,371**	**(196,143)**	**158,350**
Currency exposure		**104,371**	**(196,143)**	**(91,722)**
As at 31 December 2014				
Financial assets				
Cash and cash equivalents	406,719	5,044	11	411,774
Pledged bank deposits	–	–	4,374	4,374
Trade and other receivables	226,085	149	–	226,234
Financial liabilities				
Trade and other payables	(166,256)	(14,064)	–	(180,320)
Borrowings	–	(4,017)	(111,260)	(115,277)
Net financial assets/(liabilities)	466,548	(12,888)	(106,875)	346,785
Currency exposure		(12,888)	(106,875)	(119,763)

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(i) *Currency risk* (Continued)

If RMB changes against the HKD and USD by 5% respectively with all other variables including tax rate being held constant, the effects arising from the net financial assets/liabilities position will be as follows:

	2015	2014
	Increase/(decrease)	
	Profit after tax	Profit after tax
	RMB'000	RMB'000
The Group		
HKD against RMB		
– strengthened	**5,218**	(644)
– weakened	**(5,218)**	644
USD against RMB		
– strengthened	**(9,807)**	(5,344)
– weakened	**9,807**	5,344

(ii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2015, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, pre-tax profit for the year ended 31 December 2015 would have been approximately RMB2,761,000 lower/higher (2014 pre-tax profit: RMB1,153,000 lower/higher), mainly as a result of higher/lower interest expense on borrowings with floating interest rates. The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets presented on the statement of financial position. The Group's and the Company's major classes of financial assets are bank deposits, trade and other receivables, loan receivable, loans to subsidiaries and inter-company accounts with subsidiaries.

Trade receivables are substantially from distributors and key account agents with good collection track records with the Group. Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers. Management believes that no significant credit risk is inherent in the Group's trade receivables (see also Note 19). Bank deposits are mainly deposits with banks with good credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's financial liabilities are all due within the next 12 months from the end of reporting period. The Group manage the liquidity risk by maintaining sufficient cash and banking facilities to enable them to meet their normal operating and capital commitments.

Based on the Group's history of its ability to obtain external financing, its anticipated cash inflows from operations in the coming year and its expected future working capital requirements, the directors are of the opinion that there are sufficient financial resources available to the Group at least in the coming 12 months to meet its liabilities as and when they fall due.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date of the Group can be required to pay:

	Weighted average effective interest rate	Within 1 year or on demand	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2015					
Trade payables	**–**	**96,900**	**–**	**96,900**	**96,900**
Accruals and other payables	**–**	**101,204**	**–**	**101,204**	**101,204**
Borrowings	**4.84**	**280,428**	**–**	**280,428**	**276,018**
		478,532	**–**	**478,532**	**474,122**
As at 31 December 2014					
Trade payables	–	106,897	–	106,897	106,897
Accruals and other payables	–	73,423	–	73,423	73,423
Borrowings	3.77	117,178	–	117,178	115,277
		297,498	–	297,498	295,597

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings.

4.3 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, pledged bank deposits, trade and other receivables and loan receivable and the Group's financial liabilities, including trade and other payables and borrowings, approximate their fair values due to their short maturities. The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period. There were no transfers between levels 1 and 2 in both years.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to competition within the industry. Management will increase the depreciation where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or assets that have been abandoned.

(b) Employee benefits – share-based payments

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the consolidated statement of profit or loss and other comprehensive income in the subsequent remaining vesting period of the relevant share options.

5 Critical accounting estimates and judgements (Continued)

(c) Estimated provision for impairment of trade receivables and loan receivable

The Group makes provision for impairment of trade receivables and loan receivable based on an assessment of the recoverability of trade receivables and loan receivable. Provisions are applied to trade receivables and loan receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and loan receivable and impairment is recognised in the year in which such estimate has been changed.

(d) Current and deferred income taxes

The Group is subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Impairment losses for property, plant and equipment

Property, plant and equipment are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated. The recoverable amount of the property, plant and equipment is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit of loss in future years.

6 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.

Notes to the Consolidated Financial Statements

6 Segment information (Continued)

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				
	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	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)	256,013	46,265	(9,104)	11,585	304,759
Results of reportable segments	130,394	24,655	(378,381)	(1,340)	(224,672)

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	(119,948)
Operating loss	(328,782)
Finance income	9,114
Finance costs	(8,994)
Loss before taxation	(328,662)
Tax expense	(9,559)
Loss for the year	(338,221)

Amounts included in the measure of segment profit or loss:

	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Amortisation of land use rights	2,381	–	935	–	3,316
Depreciation of property, plant and equipment	78,323	–	40,952	2,589	121,864
Impairment loss on property, plant and equipment	–	–	317,000	–	317,000
Loss on disposal of property, plant and equipment	4,207	–	–	139	4,346

Notes to the Consolidated Financial Statements

6 Segment information (Continued)

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

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

Results of reportable segments	107,107
Corporate income	23,928
Corporate expenses	(100,357)
Operating profit	30,678
Finance income	10,175
Finance costs	(12,245)
Profit before taxation	28,608
Tax expense	(17,494)
Profit for the year	11,114

Amounts included in the measure of segment profit or loss:

	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Amortisation of land use rights	2,381	–	935	–	3,316
Depreciation of property, plant and equipment	69,196	–	29,846	4,417	103,459
Loss on disposal of property, plant and equipment	865	–	–	53	918

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.

Notes to the Consolidated Financial Statements

7 Other income and gain

	2015 RMB'000	2014 RMB'000
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
	15,857	21,236

8 Other losses

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

9 Finance income/(costs), net

	2015 RMB'000	2014 RMB'000
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 cost	(8,994)	(12,245)
Finance income:		
Interest income on bank deposits	2,397	10,175
Interest income on loan receivable	6,717	–
Total finance income	9,114	10,175
Finance income/(costs), net	120	(2,070)

10 (Loss)/profit before taxation

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

	2015 RMB'000	2014 RMB'000
Auditors' remuneration	**4,174**	3,763
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 (Note 14)	**3,316**	3,316
Depreciation of property, plant and equipment (Note 15)	**121,864**	103,459
Impairment loss on property, plant and equipment (Note 15)	**317,000**	–
Cost of inventory sold	**561,850**	591,753
Freight and transportation expenses	**6,550**	4,291

11 Tax expense

	2015 RMB'000	2014 RMB'000
Current income tax – PRC enterprise income tax	**37,170**	17,938
Deferred income tax, net (Note 17)	**(27,611)**	(444)
	9,559	17,494

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).

Notes to the Consolidated Financial Statements

11 Tax expense (Continued)

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.

Reconciliation between (loss)/profit before taxation and tax expenses is as follows:

	2015 **RMB'000**	2014 RMB'000
(Loss)/profit before taxation	**(328,662)**	28,608
Tax calculated at PRC applicable income tax rate of 25% (2014: 25%)	**(82,165)**	7,152
Effect of different tax rates of group companies operating in other jurisdictions	**3,011**	3,463
Tax effect of income not assessable for tax purpose	**(4,066)**	(2,382)
Tax effect of expenses not deductible for tax purpose	**90,246**	6,697
Tax effect of withholding tax on unremitted profits	**2,696**	1,301
Tax effect of withholding tax on interest income	**–**	810
Over-provision in prior years	**–**	(90)
Others	**(163)**	543
Tax expense for the year	**9,559**	17,494

12 (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)	**(338,221)**	11,114
Weighted average number of ordinary shares in issue for basic (loss)/earnings per share ('000)	**1,128,977**	1,132,133
Basic (loss)/earnings per share (RMB per share)	**(0.30)**	0.01

(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.

13 Dividends

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

14 Land use rights

	2015 **RMB'000**	2014 RMB'000
Cost:		
As at 1 January and 31 December	**165,820**	165,820
Accumulated amortisation:		
As at 1 January	**21,530**	18,214
Amortisation	**3,316**	3,316
As at 31 December	**24,846**	21,530
Net book value:		
As at 31 December	**140,974**	144,290

The land use rights of the Group are located in the PRC which the leasehold periods were 50 years.

Notes to the Consolidated Financial Statements

15 Property, plant and equipment

	Land and buildings RMB'000	Plant and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:						
As at 1 January 2014	836,267	635,629	14,331	820	–	1,487,047
Additions	–	178,357	1,818	–	2,239	182,414
Disposals	–	(11,781)	(115)	–	–	(11,896)
As at 31 December 2014 and 1 January 2015	836,267	802,205	16,034	820	2,239	1,657,565
Additions	132,217	209,652	142	–	51,097	393,108
Transfer	–	2,239	–	–	(2,239)	–
Disposals	–	(22,868)	–	–	–	(22,868)
As at 31 December 2015	**968,484**	**991,228**	**16,176**	**820**	**51,097**	**2,027,805**
Accumulated depreciation:						
As at 1 January 2014	114,123	163,459	10,288	164	–	288,034
Depreciation charge	41,787	60,395	1,113	164	–	103,459
Disposals	–	(1,911)	(114)	–	–	(2,025)
As at 31 December 2014 and 1 January 2015	155,910	221,943	11,287	328	–	389,468
Depreciation charge	44,582	75,992	1,126	164	–	121,864
Impairment	150,846	166,154	–	–	–	317,000
Disposals	–	(18,522)	–	–	–	(18,522)
As at 31 December 2015	**351,338**	**445,567**	**12,413**	**492**	**–**	**809,810**
Net book value:						
As at 31 December 2015	**617,146**	**545,661**	**3,763**	**328**	**51,097**	**1,217,995**
As at 31 December 2014	680,357	580,262	4,747	492	2,239	1,268,097

(i) The Group has not capitalised any borrowing costs (2014: RMB12,182,000) since no any property, plant and equipment were qualifying assets for the year ended 31 December 2015. The land and buildings with carrying values of approximately RMB8,491,000 (2014: RMB9,003,000) were pledged to banks as securities for banking facilities granted to the Group as at 31 December 2015.

Notes to the Consolidated Financial Statements

15 Property, plant and equipment (Continued)

(ii) Impairment loss recognised in the current year:

As the poor result of the Group's beverages products segment (the "beverages segment") during the year ended 31 December 2015, the Group considered it was an indication that the property, plant and equipment of the beverages segment may be impaired. The Group carried out an impairment testing on the property, plant and equipment of the beverages segment. The recoverable amount of the property, plant and equipments for the beverage segment has been determined based on a value-in-use calculation. The value-in-use of property, plant and equipment were estimated based on their respective discounting future cash flows to be generated from the continuing use of these assets. The value-in-use calculation using cash flow projections according to financial budgets covering an eight-year period approved by the management and with pre-tax discount rates of 16.76%.

The other key assumptions used in the estimation of value-in-use of the property, plant and equipment are as follows:

- For the beverages segment to continue as a going concern, it will successfully carry out all necessary activities for the development of its business;
- The availability of finance will not be a constraint on the forecast growth of the beverages segment in accordance with the projection;
- Market trends and conditions where the beverages segment operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the beverages segment;
- There will be no material changes in the business strategy of the beverages segment and its operating structure;
- Interest rates and exchange rates in the localities for the operation of the beverages segment will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the beverages segment operates or intends to operate will not be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the beverages segment operates or intends to operate, which would adversely affect the revenues and profits attributable to beverages segment.

The values assigned to key assumptions are consistent with external information sources.

As at 31 December 2015, the value-in-use amount of the property, plant and equipment of beverage segment was approximately RMB411,738,000 and impairment loss of approximately RMB317,000,000 has been recognised during the year ended 31 December 2015 (2014: Nil).

Notes to the Consolidated Financial Statements

16 Deposits for property, plant and equipment

The balance represents deposits paid for acquisition of machineries and equipment, and construction of production facilities.

17 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relate to the same fiscal authority.

The following are the major deferred tax assets/liabilities recognised and movement thereon during the current and prior reporting years:

Deferred income tax assets	**Accrued sales rebates**	**Tax losses**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2014	11,993	11,798	23,791
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income (Note 11)	(6,222)	6,948	726
Over-provision in prior year	1,017	–	1,017
As at 31 December 2014 and 1 January 2015	**6,788**	**18,746**	**25,534**
Credited to the consolidated statement of profit or loss and other comprehensive income (Note 11)	**5,553**	**24,754**	**30,307**
As at 31 December 2015	**12,341**	**43,500**	**55,841**

17 Deferred income tax (Continued)

Deferred income tax liabilities	Withholding income tax	Total
	RMB'000	RMB'000
As at 1 January 2014	(28,450)	(28,450)
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 11)	(1,300)	(1,300)
Withholding tax paid during the year	1,017	1,017
As at 31 December 2014 and 1 January 2015	**(28,733)**	**(28,733)**
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 11)	**(2,696)**	**(2,696)**
As at 31 December 2015	**(31,429)**	**(31,429)**

As at 31 December 2015, deferred income tax assets are recognised for accrued sales rebates, to the extent that realisation of the related tax benefits through future taxable profits is probable which are calculated in full on temporary differences under the liability method using principal tax rates of 25% (2014: 25%).

Deferred income tax liabilities represented deferred tax effect on the withholding tax payable on the undistributed profits of certain PRC subsidiaries.

According to the relevant PRC tax rules and regulations, dividend distribution out of profit earned by foreign-invested enterprises in the PRC after 1 January 2008 is subject to PRC corporate withholding income tax. During the year, withholding income tax was provided for the dividend distributed and the portion of the retained profits which will be distributed in the foreseeable future for the Group's PRC subsidiaries at a tax rate of 5% to 10%.

As at 31 December 2015, there are temporary differences relating to the retained earnings of the Group's PRC subsidiaries amounted to approximately RMB1,117,721,000 (2014: RMB1,023,215,000). Deferred income tax liabilities of approximately RMB69,899,000 (2014: RMB63,034,000), have not been recognised in respect of the tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these PRC subsidiaries and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

Notes to the Consolidated Financial Statements

18 Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**64,291**	63,475
Finished goods	**33,148**	29,957
	97,439	93,432

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB561,850,000 (2014: RMB591,753,000).

19 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	**7,577**	1,934
	194,082	175,308

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

As at 31 December 2015, trade receivables of approximately RMB7,577,000 (2014: RMB1,934,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of these receivables is as follows:

	2015 RMB'000	2014 RMB'000
Past due by less than 3 months but not impaired	**7,577**	1,934

During the year ended 31 December 2015, no trade receivables were impaired (2014: Nil). As at 31 December 2015 and 2014, no trade receivables are considered to be impaired.

The carrying amounts of trade receivables approximate their fair values.

Notes to the Consolidated Financial Statements

20 Prepayments and other receivables

	2015 RMB'000	2014 RMB'000
Prepayments	**1,251**	3,319
Other receivables	**74,019**	50,926
	75,270	54,245

As at 31 December 2015, other receivables mainly comprised of value-added tax receivables of approximately RMB68,030,000 (2014: RMB50,926,000).

21 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.

22 Pledged bank deposits

As at 31 December 2015, the Group had no pledged bank deposits. As at 31 December 2014, pledged bank deposits of the Group were with initial terms of over three months and pledged to banks as security for borrowings (Note 25).

The weighted average effective interest rate of these bank deposits as at 31 December 2014 was 0.02% per annum.

The carrying amounts of pledged bank deposits approximate their fair values.

Notes to the Consolidated Financial Statements

23 Cash and cash equivalents

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**144,371**	411,774

The Group's cash and cash equivalents as at 31 December 2015 and 2014 are denominated in following currencies:

	2015 RMB'000	2014 RMB'000
HKD	**117,987**	5,044
USD	**1,053**	11
RMB	**25,331**	406,719
	144,371	411,774

Cash and cash equivalents of the Group of approximately RMB25,331,000 (2014: RMB406,719,000) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

24 Trade and other payables

	2015 RMB'000	2014 RMB'000
Trade payables	**96,900**	106,897
Receipt in advance (Note 39)	**115,248**	–
Accrued sales rebates	**18,843**	5,174
Other accrued expenses	**12,152**	11,094
Directors' fees and emoluments payable	**5,928**	10,902
Other payables and sundry creditors	**64,281**	46,253
	313,352	180,320

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
	96,900	106,897

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

25 Borrowings

	2015 RMB'000	2014 RMB'000
Secured bank borrowings	33,822	115,277
Unsecured bank borrowings	242,196	–
Total bank borrowings	**276,018**	115,277
Carrying amount of bank borrowings wholly repayable:		
On demand or within 1 year	276,018	115,277
Less: amounts show under current liabilities	(276,018)	(115,277)
Amount classified as non-current liabilities	–	–

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

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

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 (equivalent to approximately RMB465,000,000) 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 outstanding balance as at 31 December 2014 was equivalent to approximately RMB111,260,000 and was pledged by shares of certain wholly-owned subsidiaries of the Company and bank deposit of RMB4,374,000. The Facility has an original term of 36 months commencing from the date of the Facility Agreement. However, during the year ended 31 December 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. The outstanding balance under the Facility was fully settled during the year ended 31 December 2015.

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.

Notes to the Consolidated Financial Statements

25 Borrowings (Continued)

As at 31 December 2015, the short-term secured bank loan of 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.

As at 31 December 2015, the short-term unsecured bank loans of 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 approximately 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 carrying amount of all borrowings approximate their fair values.

26 Share capital and share premium

Authorised share capital

As at 31 December 2015, the total authorised share capital of the Company was US$250,000,000 (2014: US$250,000,000).

Issued share capital

	Number of Shares	Amount		
	Issued share capital '000	Share capital RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
The Company				
As at 1 January 2014	1,132,600	406,133	566,809	972,942
Repurchase and cancellation of ordinary shares during the year (Note)	(3,623)	(1,103)	(3,753)	(4,856)
As at 31 December 2014, 1 January 2015 and 31 December 2015	1,128,977	405,030	563,056	968,086

Note:

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

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

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

Notes to the Consolidated Financial Statements

27 Directors' and chief executive emoluments

The emolument of directors and chief executive for the year ended 31 December 2015, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is set out below:

Name of directors	Fee RMB'000	Salaries RMB'000	Other benefits RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
Mr. Zheng Yu Huan (note (i))	–	800	–	–	800
Mr. Zheng Yu Long (note (iv))	–	800	–	–	800
Mr. Zheng Yu Shuang (note (ii))	–	800	–	–	800
Non-executive directors					
Mr. Li Hung Kong	192	–	–	–	192
Mr. Ren Yunan (note (iii) and (v))	192	–	–	–	192
Independent non-executive directors					
Mr. Li Zhi Hai	192	–	–	–	192
Ms. Sun Kam Ching	192	–	–	–	192
Mr. Chung Yau Tong	192	–	–	–	192
	960	2,400	–	–	3,360

Notes to the Consolidated Financial Statements

27 Directors' and chief executive emoluments (Continued)

The emolument of directors and chief executive for the year ended 31 December 2014, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is set out below:

Name of directors	Fee RMB'000	Salaries RMB'000	Other benefits RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
Mr. Zheng Yu Huan (note (i))	–	800	–	–	800
Mr. Zheng Yu Long (note (iv))	–	800	–	–	800
Mr. Zheng Yu Shuang (note (ii))	–	800	–	–	800
Non-executive directors					
Mr. Li Hung Kong	187	–	–	–	187
Mr. Ren Yunan (note (iii) and (v))	–	–	–	–	–
Independent non-executive directors					
Mr. Li Zhi Hai	187	–	–	–	187
Ms. Sun Kam Ching	187	–	–	–	187
Mr. Chung Yau Tong	187	–	–	–	187
	748	2,400	–	–	3,148

notes:

(i) Mr. Zheng Yu Huan have been appointed as the Chairman of the Group on 18 March 2015.

(ii) Mr. Zheng Yu Shuang is the Chief Executive Officer of the Group.

(iii) Mr. Ren Yunan have been appointed as non-executive director on 3 February 2015.

(iv) Mr. Zheng Yu Long had resigned as the Chairman of the Group on 18 March 2015.

(v) On 18 August 2014, the Company entered into subscription agreements with two parties (the "Subscribers"), pursuant to which, the Company agreed to issue in aggregate 110,000,000 unlisted warrants to the Subscribers at an issue price of HK$0.01 per warrant, totalling HK$1,100,000 (equivalent to RMB858,000). Each unlisted warrant entitle the holder to subscribe for one share of the Company at the subscription price of HK$1.93 per share. Mr. Ren Yunan, the spouse of the beneficial owner of a subscriber who holds 100,000,000 unlisted warrants, was appointed as a non-executive director of the Company on 3 February 2015.

During the years ended 31 December 2015 and 2014, none of the directors and chief executive of the Company waived or agreed to waive any emoluments.

During the year, no emoluments have been paid to the directors and chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

28 Five highest paid employees

The five highest paid employees of the Group during the year included 3 (2014: 3) directors, whose emoluments are set out in Note 27. Details of the emoluments payable to the remaining 2 (2014: 2) highest paid employees during the year who are neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, share options and bonuses	2,511	2,265
Employer's contribution to defined contribution plans	28	25
	2,539	2,290

The emoluments of the remaining 2 highest paid employees who are also the senior management fell within the following bands:

	2015	2014
	Number of individuals	
Nil – HK$1,000,000 (equivalent to Nil – RMB840,000)	–	1
HK$1,000,001 – HK$2,000,000 (equivalent to RMB840,001 – RMB1,680,000)	2	1

During the years ended 31 December 2015 and 2014, none of the five highest paid employees waived or agreed to waive any emoluments.

During the year, no emoluments have been paid to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

29 Employee retirement benefits

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

In addition, the Group's subsidiaries in the PRC participate in a defined contribution retirement scheme organised by the PRC municipal government. These subsidiaries are required to make contributions to the scheme.

Save as disclosed above, the Group has no other obligations to make payments in respect of retirement benefits of the employees during the year.

For the year ended 31 December 2015, the Group's retirement plan contributions amounted to approximately RMB10,225,000 (2014: RMB10,888,000).

Notes to the Consolidated Financial Statements

30 Share based payments

The Company had the following outstanding share options granted to certain employees of the Group:

Share options granted on 30 March 2012

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. The significant inputs into the model are as follows:

Date of grant:	30 March 2012
Exercise price:	HK$2.68 per Share
Expected life:	2.57 years-3.79 years
Risk-free rate:	0.28%-0.39%
Expected volatility:	41.03%-45.43%
Expected dividend yield:	2.24%

Share options granted on 30 September 2014

On 30 September 2014, 33,000,000 share options were granted to certain employees of the Group with an exercisable period from 1 October 2014 to 30 September 2019 at an exercise price of HK$1.19 per Share. All of these share options were immediately vested. The estimated fair value of these share options was approximately RMB6,788,000, 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. The significant inputs into the model are as follows:

Date of grant:	30 September 2014
Exercise price:	HK$1.19 per Share
Expected life:	2.5 years
Risk-free rate:	1%
Expected volatility:	47%
Expected dividend yield:	2%

Share options granted on 10 July 2015

On 10 July 2015, 30,000,000 share options were granted to certain employees of the Group with an exercisable period from 13 July 2015 to 12 July 2020 at an exercise price of HK$0.89 per Share. All of these share options were immediately vested. The estimated fair value of these share options was approximately RMB5,928,000, 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. The significant inputs into the model are as follows:

Date of grant:	10 July 2015
Exercise price:	HK$0.89 per Share
Expected life:	2.68 years
Risk-free rate:	0.97%
Expected volatility:	53.18%
Expected dividend yield:	1.55%

Notes to the Consolidated Financial Statements

30 Share based payments (Continued)

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. Save as disclosed above, no other options have been granted during the year ended 31 December 2015.

Movement of the share options during the years ended 31 December 2015 and 2014 are as follows:

	Number of ordinary shares subject to share options granted under the Share Option Scheme				
Exercise period	**Outstanding as at 1 January 2015**	**Granted during the year ended 31 December 2015**	**Exercised during the year ended 31 December 2015**	**Lapsed during the year ended 31 December 2015**	**Outstanding as at 31 December 2015**
31 March 2014 to 30 March 2017	**5,000,000**	**–**	**–**	**–**	**5,000,000**
31 March 2015 to 30 March 2017	**3,000,000**	**–**	**–**	**–**	**3,000,000**
1 October 2014 to 30 September 2019	**33,000,000**	**–**	**–**	**–**	**33,000,000**
13 July 2015 to 12 July 2020	**–**	**30,000,000**	**–**	**–**	**30,000,000**
Total	**41,000,000**	**30,000,000**	**–**	**–**	**71,000,000**

	Number of ordinary shares subject to share options granted under the Share Option Scheme				
Exercise period	Outstanding as at 1 January 2014	Granted during the year ended 31 December 2014	Exercised during the year ended 31 December 2014	Lapsed during the year ended 31 December 2014	Outstanding as at 31 December 2014
31 March 2014 to 30 March 2017	5,000,000	–	–	–	5,000,000
31 March 2015 to 30 March 2017	3,000,000	–	–	–	3,000,000
1 October 2014 to 30 September 2019	–	33,000,000	–	–	33,000,000
Total	8,000,000	33,000,000	–	–	41,000,000

The total expense for share options granted to directors and employees are recognised as "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

31 Statement of Financial Position of the Company

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**134,206**	134,206
Loans to subsidiaries	**513,297**	513,297
	647,503	647,503
Current assets		
Amounts due from subsidiaries	**634,794**	404,523
Prepayments and other receivables	**250**	118
Pledged bank deposits	**–**	4,374
Cash and cash equivalents	**8,433**	4,313
	643,477	413,328
Total assets	**1,290,980**	1,060,831
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**405,030**	405,030
Share premium	**563,056**	563,056
Reserves	**(3,863)**	(36,421)
Total equity	**964,223**	931,665
LIABILITIES		
Current liabilities		
Amount due to a subsidiary	**5,397**	4,819
Other payables	**8,916**	13,087
Borrowings	**197,196**	111,260
Receipt in advance	**115,248**	–
	326,757	129,166
Total liabilities	**326,757**	129,166
Total equity and liabilities	**1,290,980**	1,060,831
Net current assets	**316,720**	284,162
Total assets less current liabilities	**964,223**	931,665

The Company's statement of financial position was approved and authorised by the Board of Directors on 24 March 2016.

Zheng Yu Huan	**Zheng Yu Shuang**
Director	*Director*

Notes to the Consolidated Financial Statements

32 Particulars of subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2015:

Name	Country of business/ incorporation	Principal activities	Equity holding
Directly held			
Timeluck International Limited	BVI	Investment holding	100%
La Bi Xiao Xin International Company Limited	BVI	Investment holding	100%
Labixiaoxin Holdings Company Limited	Hong Kong	Investment holding	100%
Labixiaoxin Investments Company Limited	Hong Kong	Investment holding	100%
Indirectly held			
蠟筆小新（福建）食品工業有限公司 Labixiaoxin (Fujian) Food Stuff Industry Co., Ltd	PRC#	Manufacture and sale of food and beverages products	100%
蠟筆小新（四川）有限公司 Labixiaoxin (Sichuan) Co., Ltd.	PRC#	Manufacture and sale of food and beverages products	100%
蠟筆小新（安徽）有限公司 Labixiaoxin (Anhui) Co., Ltd.	PRC#	Manufacture and sale of food and beverages products	100%
蠟筆小新（天津）有限公司 Labixiaoxin (Tianjin) Co., Ltd.	PRC#	Manufacture and sale of food and beverages products	100%
晉江蠟筆小新創業投資有限公司 Jinjiang Labixiaoxin Venture Capital Investment Co., Ltd.	PRC#	Investment and provision of management and consultancy services	100%

The companies are established as wholly foreign-owned enterprises in the PRC.

Notes to the Consolidated Financial Statements

33 Reserves

(a) Merger reserve

The Group was formed on 28 March 2005 pursuant to a group restructuring exercise. The subsidiaries acquired pursuant to the group restructuring exercise under common control have been consolidated using the pooling-of-interest method. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group's structure immediately after the group restructuring exercise has been in existence since the earliest financial year presented and the assets and liabilities are brought into the consolidated financial statements at their carrying amounts. The merger reserve of the Group represents the difference between the nominal amount of share capital issued by the Company and the nominal amount of the share capital of the subsidiaries transferred to the Company pursuant to the group restructuring exercise.

(b) Statutory reserves

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, every year the subsidiaries are required to transfer 0-10% of the profit after taxation determined in accordance with PRC Accounting Standards to the statutory reserves until the balance reaches 50% of the registered capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

34 Reserves of the Company

	Other reserve	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2014	–	3,522	(15,198)	(11,676)
Loss for the year	–	–	(34,160)	(34,160)
Issue of warrants (Note)	858	–	–	858
Employee share-based payments	–	8,557	–	8,557
Balance as at 31 December 2014 and 1 January 2015	858	12,079	(49,358)	(36,421)
Profit for the year	–	–	24,644	24,644
Employee share-based payments	–	7,914	–	7,914
Balance as at 31 December 2015	**858**	**19,993**	**(24,714)**	**(3,863)**

Note:

On 18 August 2014, the Company entered into subscription agreements with two parties (the "Subscribers"), pursuant to which, the Company agreed to issue in aggregate 110,000,000 unlisted warrants to the Subscribers at an issue price of HK$0.01 per warrant, totalling HK$1,100,000 (equivalent to RMB858,000). Each unlisted warrant entitle the holder to subscribe for one share of the Company at the subscription price of HK$1.93 per share. Mr. Ren Yunan, the spouse of the beneficial owner of a subscriber who holds 100,000,000 unlisted warrants, was appointed as a non-executive director of the Company on 3 February 2015.

Notes to the Consolidated Financial Statements

35 Cash generated from operations

	2015 RMB'000	2014 RMB'000
(Loss)/profit for the year	(338,221)	11,114
Adjustments for:		
– Income tax expense recognised in profit or loss	9,559	17,494
– Amortisation and depreciation	125,180	106,775
– Impairment loss on property, plant and equipment	317,000	–
– Loss on disposal of property, plant and equipment	4,346	918
– Interest income on bank deposits	(2,397)	(10,175)
– Interest income on loan receivable	(6,717)	–
– Finance costs recognised in profit or loss	8,994	12,245
– Employee share-based payments	7,914	8,557
Operating cash flow before working capital changes	125,658	146,928
Change in working capital		
– (Increased)/decreased in trade receivables, prepayments and other receivables	(39,799)	107,212
– Increased in inventories	(4,007)	(8,093)
– Increased/(decreased) in trade and other payables	17,784	(81,057)
Cash generated from operations	99,636	164,990

36 Commitments

(a) Capital commitments

As at 31 December 2015, the Group had the following capital commitments in respect of land use right and property, plant and equipment:

	2015 RMB'000	2014 RMB'000
Authorised but not contracted for		
– Land use right	50,000	50,000
Contracted but not provided for		
– Property, plant and equipment	246,526	10,140
	296,526	60,140

Notes to the Consolidated Financial Statements

37 Material related party transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

Key management personnel compensation:

	2015	2014
	RMB'000	RMB'000
Directors' fee	**960**	748
Salaries and other employee benefits	**5,219**	5,639
	6,179	6,387

38 Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2015 and 2014.

39 Events after the reporting period

Pursuant to a placing agreement signed 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.