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LABIXIAOXIN SNACKS GROUP LIMITED

蠟筆小新休閒食品集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1262)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change +/(-)%
	2021 <i>RMB'million</i> (Unaudited)	2020 <i>RMB'million</i> (Audited)	
Key income statement items			
Revenue	648.1	508.8	+27.4%
Gross Profit	224.3	166.5	+34.7%
EBITDA ¹	114.3	51.7	+121.1%
Loss for the year	(65.2)	(29.4)	+121.8%
Key performance indicators			
Gross profit margin	34.6%	32.7%	+1.9%pts
EBITDA margin	17.6%	10.2%	+7.4%pts
Net loss margin	-10.1%	-5.8%	+4.3%pts
Return on equity ²	-13.6%	-6.7%	-6.9%pts
Loss per share – Basic	RMB(0.05)	RMB(0.02)	+150%
– Diluted	RMB(0.05)	RMB(0.02)	+150%

1. EBITDA refers to profit/(loss) before interests, income tax, depreciation, amortisation, allowance under expected credit losses on receivables, gain on disposal of a subsidiary and written-off of property, plant and equipment.
2. Return on equity is calculated using profit/(loss) for the year divided by average of monthly ending equity balance for the year.

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of Labixiaoxin Snacks Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) has not been completed. In the meantime, the board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2021 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> <i>(Audited)</i>
Revenue	3	648,066	508,838
Cost of sales		(423,785)	(342,294)
Gross profit		224,281	166,544
Other income	4	11,374	16,124
Other gain/(loss), net	5	13,143	(1,790)
Allowance under expected credit losses model, net of reversal		(20,117)	(18,234)
Gain on disposal of a subsidiary		–	141,659
Written-off of property, plant and equipment		(2,921)	(65,980)
Selling and distribution expenses		(87,146)	(77,202)
Administrative expenses		(91,128)	(105,667)
Operating profit		47,486	55,454
Finance income		822	1,031
Finance costs		(31,312)	(40,509)
Finance costs, net	6	(30,490)	(39,478)

	<i>Notes</i>	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Profit before taxation	7	16,996	15,976
Taxation	8	<u>(82,200)</u>	<u>(45,379)</u>
Loss and total comprehensive loss for the year		<u>(65,204)</u>	<u>(29,403)</u>
Loss per share attributable to equity holders of the Company (RMB per share)	9		
– Basic		<u>(0.05)</u>	<u>(0.02)</u>
– Diluted		<u>(0.05)</u>	<u>(0.02)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Right-of-use assets		92,097	94,238
Property, plant and equipment		274,263	298,762
Deposits for property, plant and equipment		47,595	45,455
Deferred income tax assets		7,657	85,390
		<u>421,612</u>	<u>523,845</u>
Current assets			
Inventories		67,467	63,581
Trade receivables	<i>11</i>	383,923	297,633
Prepayments and other receivables		156,485	158,424
Pledged bank deposits		–	40,916
Cash and cash equivalents		80,567	258,839
		<u>688,442</u>	<u>819,393</u>
Asset classified as held for sale	<i>12</i>	<u>180,000</u>	186,002
		<u>868,442</u>	<u>1,005,395</u>
Total assets		<u>1,290,054</u>	<u>1,529,240</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		470,030	470,030
Reserves		(67,390)	(2,186)
Total equity		<u>402,640</u>	<u>467,844</u>

		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liability			
Deferred tax liabilities		<u>15,846</u>	<u>15,846</u>
		<u>15,846</u>	<u>15,846</u>
Current liabilities			
Trade and other payables	<i>13</i>	342,071	382,595
Bank borrowings	<i>14</i>	529,150	642,443
Lease liabilities		347	–
Tax payable		<u>–</u>	<u>20,512</u>
		<u>871,568</u>	<u>1,045,550</u>
Total liabilities		<u>887,414</u>	<u>1,061,396</u>
Total equity and liabilities		<u>1,290,054</u>	<u>1,529,240</u>
Net current liabilities		<u>(3,126)</u>	<u>(40,155)</u>
Total assets less current liabilities		<u>418,486</u>	<u>483,690</u>

NOTES:

1 General information

Labixiaoxin Snacks Group Limited (the “Company”) was incorporated in Bermuda on 4 May 2004 and domiciled in Bermuda. The Company’s immediate and ultimate holding company is Alliance Food and Beverages (Holding) Company Limited, a company incorporated in the British Virgin Islands (the “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 (the “PRC”) (中國福建省晉江市五里工業園區).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are manufacturing and sales of jelly products, confectionary products, beverages products and other snacks products.

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

The consolidated financial statements are presented in thousands of units of Renminbi (“RMB’000”), which is also the functional currency of the Company, unless otherwise stated.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (the “CO”).

Going concern basis

The Group incurred a net loss of approximately RMB65,204,000 (2020: approximately RMB29,403,000) for the year ended 31 December 2021. As at 31 December 2021, the Group’s current liabilities exceeded its current assets by approximately RMB3,126,000 (2020: approximately RMB40,155,000).

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of twelve months from 31 December 2021. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

(1) *Financial support from substantial shareholder*

Mr. Zheng Yu Long, the substantial shareholder of the Company who have already provided the aggregate amount of approximately RMB36,090,000 loan from a loan facility of RMB60,000,000 to the Group, have agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from the date of this announcement.

(2) *Disposal of the land*

The Group is in the process of completion of the disposal of the land located at Jinjian Food Industrial Park (晉江市食品產業園) with a total site area of approximately 126,981 square meters together with the buildings thereon with an aggregate site area of approximately 148,271 square meters.

(3) *Alternative sources of external funding*

The Group will take steps to obtain external funding in order to improve the working capital and liquidity and cash flow position of the Group.

Amendment to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The Group applied the agenda decision of the IFRS Interpretation Committee (the “Committee”) of the IASB issued in June 2021, which clarified the costs an entity should be included as “estimated cost necessary to make the sale” when determining the net realisable value of inventories.

In addition, the Group has early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to IFRSs in issued but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ²
Amendments to IFRS 3	Reference to the Conceptual Framework ¹
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ²
Amendments to IAS 12	Deferred Tax related to Assets and liabilities arising from a Single Transaction ²
Amendments to IAS16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to IFRSs	Annual Improvements to IFRSs Standard 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 Segment information

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

The chief operating decision-maker (the “CODM”) has been identified as the executive directors of the Company. The 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.

The 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

The CODM assesses the performance of the operating segments based on measure of segment results without allocation of corporate income and corporate expenses including directors' emoluments, headquarters staff costs and finance costs. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements. The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade receivables and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company's executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

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 years ended 31 December 2021 and 2020, none of the individual customer accounted for 10% or more of the Group's external revenue. As at 31 December 2021 and 2020, majority of the Group's assets, liabilities and capital expenditure were located or utilised in the PRC.

Segment revenue and results

	Year ended 31 December 2021				
	Jelly products <i>RMB'000</i> (Unaudited)	Confectionary products <i>RMB'000</i> (Unaudited)	Beverages products <i>RMB'000</i> (Unaudited)	Other snacks products <i>RMB'000</i> (Unaudited)	Reportable segments total <i>RMB'000</i> (Unaudited)
Revenue					
Sales to external customers	517,363	97,427	3,039	30,237	648,066
Cost of sales	(341,551)	(61,339)	(2,459)	(18,436)	(423,785)
Gross profit	175,812	36,088	580	11,801	224,281
Results of reportable segments	90,364	20,565	263	6,730	117,922

Note: For sales to external customer, the revenue is recognised at a point in time. All revenue contracts are for period of one year or less. As permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	2021 <i>RMB'000</i> (Unaudited)
Results of reportable segments	117,922
Corporate income	24,517
Corporate expenses	<u>(94,953)</u>
Operating profit	47,486
Finance income	822
Finance costs	<u>(31,312)</u>
Profit before taxation	16,996
Taxation	<u>(82,200)</u>
Loss for the year	<u>(65,204)</u>

Amounts included in the measure of segment profit or loss:

	Year ended 31 December 2021				
	Jelly products <i>RMB'000</i> (Unaudited)	Confectionary products <i>RMB'000</i> (Unaudited)	Beverages products <i>RMB'000</i> (Unaudited)	Other snacks products <i>RMB'000</i> (Unaudited)	Reportable segments total <i>RMB'000</i> (Unaudited)
Capital expenditure	<u>10,038</u>	<u>-</u>	<u>11,535</u>	<u>-</u>	<u>21,573</u>
Depreciation of right-of-use assets	<u>1,880</u>	<u>-</u>	<u>936</u>	<u>-</u>	<u>2,816</u>
Depreciation of property, plant and equipment	<u>34,864</u>	<u>-</u>	<u>5,402</u>	<u>745</u>	<u>41,011</u>
Written-off of property, plant and equipment	<u>2,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,921</u>
Allowance for expected credit losses on trade receivables	<u>12,125</u>	<u>2,283</u>	<u>5,000</u>	<u>709</u>	<u>20,117</u>

Year ended 31 December 2020

	Jelly products <i>RMB'000</i> (Audited)	Confectionary products <i>RMB'000</i> (Audited)	Beverages products <i>RMB'000</i> (Audited)	Other snacks products <i>RMB'000</i> (Audited)	Reportable segments total <i>RMB'000</i> (Audited)
Revenue					
Sales to external customers	384,184	104,100	5,206	15,348	508,838
Cost of sales	<u>(255,982)</u>	<u>(72,052)</u>	<u>(4,622)</u>	<u>(9,638)</u>	<u>(342,294)</u>
Gross profit	<u>128,202</u>	<u>32,048</u>	<u>584</u>	<u>5,710</u>	<u>166,544</u>
Results of reportable segments	<u>3,629</u>	<u>16,524</u>	<u>43</u>	<u>3,166</u>	<u>23,362</u>

Note: For sales to external customer, the revenue is recognised at a point in time. All revenue contracts are for period of one year or less. As permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	2020 <i>RMB'000</i> (Audited)
Results of reportable segments	23,362
Corporate income	16,124
Gain on disposal of a subsidiary	141,659
Corporate expenses	<u>(125,691)</u>
Operating profit	55,454
Finance income	1,031
Finance costs	<u>(40,509)</u>
Profit before taxation	15,976
Taxation	<u>(45,379)</u>
Loss for the year	<u><u>(29,403)</u></u>

Amounts included in the measure of segment profit or loss:

	Year ended 31 December 2020				
	Jelly products <i>RMB'000</i> (Audited)	Confectionary products <i>RMB'000</i> (Audited)	Beverages products <i>RMB'000</i> (Audited)	Other snacks products <i>RMB'000</i> (Audited)	Reportable segments total <i>RMB'000</i> (Audited)
Capital expenditure	6,542	–	2,566	–	9,108
Depreciation of right-of-use assets	2,381	–	935	–	3,316
Depreciation of property, plant and equipment	43,091	–	5,318	522	48,931
Loss on disposal of property, plant and equipment	1,370	–	–	–	1,370
Written-off of property, plant and equipment	65,980	–	–	–	65,980
Allowance for expected credit losses on trade receivables	11,650	5,699	124	606	18,079

Geographic information

No geographic information has been presented as all of the Group's operating activities are carried out in PRC.

4 Other income

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Rental income	3,162	3,245
Sundry income	4,206	2,225
Gain on sales of raw materials and scrap materials	104	646
Government grants (<i>Note</i>)	3,902	4,120
Recovery of loan receivable previously written-off	–	5,888
	11,374	16,124

Note: During the year ended 31 December 2021, the Group recognised government grants which comprise COVID-19 related subsidies of approximately RMB3,902,000 (2020: RMB3,879,000) provided by the PRC government and Employment Support Scheme of approximately RMB Nil (2020: RMB241,000) provided by the Hong Kong Government.

5 Other gain/(loss), net

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Loss on disposal of property, plant and equipment	–	(1,370)
Gain on disposal of asset classified as held for sale	13,257	–
Net exchange loss	(114)	(420)
	13,143	(1,790)

6 Finance costs, net

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Finance costs:		
Interest expenses on bank borrowings	(30,549)	(36,973)
Interest expenses on loan from a director	(735)	(872)
Interest expenses on lease liabilities	(28)	–
Interest expenses on loan from an independent third party	–	(2,664)
Total finance cost	(31,312)	(40,509)
Finance income:		
Interest income on bank deposits	822	1,031
Total finance income	822	1,031
Finance costs, net	(30,490)	(39,478)

7 Profit before taxation

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
The Group's profit before taxation is arrived at after charging:		
Auditors' remuneration		
– Audit service	1,052	1,566
– Non-audit service	–	–
Staff costs (including directors' remuneration)		
– Salaries and bonuses	95,449	70,850
– Employer's contribution to defined contribution plans	3,863	1,286
– Severance payments	–	–
Advertising and promotion expenses	48,695	35,028
Depreciation of right-of-use assets	2,816	3,316
Depreciation of property, plant and equipment	41,011	48,931
Allowance for expected credit losses		
on trade receivables, net	20,047	18,079
Allowance for expected credit losses on other receivables	70	155
Cost of inventory sold	340,339	275,327
Written-off of property, plant and equipment	2,921	65,980
Freight and transportation expenses	4,880	4,308
	<u>4,880</u>	<u>4,308</u>

8 Taxation

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Current income tax – PRC Enterprise Income Tax	4,467	20,512
Deferred income tax, net	77,733	24,867
	<u>82,200</u>	<u>45,379</u>

Hong Kong Profits Tax, Bermuda and BVI Income Tax

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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 ended 31 December 2021.

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at the rate of 25% (2020: 25%) on taxable profits of the Group's PRC subsidiaries during the year.

No provision of PRC Enterprise Income Tax has been made as the Group's PRC subsidiaries did not generated any assessable profit during the year ended 31 December 2021 (2020: Nil).

9 Loss per share

(a) Basic loss per share

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

	2021 (Unaudited)	2020 (Audited)
Net loss attributable to the equity holders of the Company (RMB'000)	<u><u>(65,204)</u></u>	<u><u>(29,403)</u></u>
Weighted average number of ordinary shares in issue for basic loss per share ('000)	<u><u>1,328,977</u></u>	<u><u>1,328,977</u></u>
Basic loss per share (RMB per share)	<u><u>(0.05)</u></u>	<u><u>(0.02)</u></u>

(b) Diluted loss per share

The computation of diluted loss per share does not include the Company's outstanding share options and the outstanding warrants because the effect were anti-dilutive. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

10 Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

11 Trade receivables

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	425,672	319,335
Less: Allowance for credit losses	(41,749)	(21,702)
	<u>383,923</u>	<u>297,633</u>

For the year ended 31 December 2021, the Group's revenue are generally on credit term of 180 days (2020: 180 days). The carrying amounts of trade receivables approximate their fair values.

12 Asset classified as held for sale

On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the "Vendor") and an independent third party (the "Purchaser") entered into the transfer agreement (the "Transfer Agreement"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the right-of-use asset located in Jinjiang Food Industrial Park in Jinjiang City, Fujian Province, the PRC (the "FJ Land Right") for a consideration of RMB180,000,000. Pursuant to the Transfer Agreement, both the Vendor and the Purchaser will liaise with Fujian Jinjiang Industrial Park Construction and Development Company Limited (the "Jinjiang Construction"), a company controlled by Jinjiang City People's Government, regarding the transfer of the FJ Land Right. The Vendor will arrange for the termination of the FJ Land Right with Jinjiang Construction and the Purchaser will enter into an agreement with Jinjiang Construction regarding the new pre-registration contractual right to acquire the FJ Land Right. For more details, please refer to the announcement dated 15 May 2019.

Pursuant to the Extension Announcement dated on 31 December 2021, as additional time is required by the Purchaser and Vendor for the fulfilment of the conditions precedent to the Transfer Agreement, the Long Stop Date shall be further extended to 30 June 2022.

13 Trade and other payables

Included in the trade and other payables, as of the end of the reporting period, the trade payable were approximately RMB21,654,000 (2020: RMB35,387,000).

The credit periods granted by suppliers generally range from 30 to 60 days. The ageing analysis of trade payables based on invoice date is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Less than 30 days	14,450	25,031
31 days – 90 days	5,362	6,996
Over 90 days	1,842	3,360
	<u>21,654</u>	<u>35,387</u>

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

14 Bank borrowings

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Secured bank borrowings	468,200	460,943
Unsecured bank borrowings	60,950	181,500
Total bank borrowings	<u>529,150</u>	<u>642,443</u>

Carrying amount of bank borrowings wholly repayable:

On demand or within 1 year	<u>529,150</u>	<u>642,443</u>
	<u>529,150</u>	<u>642,443</u>

15 Events after the reporting period

There were no significant events that have occurred subsequent to the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2021, Labixiaoxin Snacks Group Limited (the “Company” and together with its subsidiaries, the “Group”) has reported revenue of RMB648.1 million, representing an increase of approximately 27.4% as compared with the corresponding period of last year mainly due to increase in sales of jelly products and other snacks products by approximately 34.7% and 97.0% respectively. During the year ended 31 December 2021, the consumer sentiment in the People’s Republic of China (“PRC”) has gradually recovered from the hit by the Novel Coronavirus (“COVID-19”) outbreak. The Group’s sales was positively affected by the recovery of the consumer sentiment and the removal of lock-up measures in the PRC.

For the year ended 31 December 2021, the Group recorded a net loss of RMB65.2 million, as compared with the net loss of RMB29.4 million in the same period last year. The main reasons for such increase in the Group’s net loss during the year ended 31 December 2021 was mainly due to there was no one-off gain on disposal of a subsidiary in this year while the gain on disposal of a subsidiary in 2020 was RMB141,659,000. During the year ended 31 December 2021, there was an improvement in the gross profit of the Group by approximately RMB57.7 million mainly due to increase in revenue of jelly products, which partially offset the impact of the absence of one-off gain on disposal of a subsidiary in the year ended 31 December 2020.

REVENUE

Revenue increased by approximately 27.4% to RMB648.1 million in the year ended 31 December 2021 when compared with the same period in 2020. During the year under review, the Group’s sales performance has been positively affected by the recovery of consumer sentiments and the removal of lock-up measures in the PRC. In addition, the Group has continued to exert immense efforts in developing its distribution network during the period which also boosted the sales performance. As at 31 December 2021, the Group had a total number of 1,206 distributors (31 December 2020: 1,206).

Jelly products

Revenue of jelly products increased by approximately 34.7% from RMB384.2 million in the year ended 31 December 2020 to RMB517.4 million in the year ended 31 December 2021 mainly due to the recovery of consumer sentiments and the removal of lock-up measures in the PRC.

During the year ended 31 December 2021, revenue attributable to jelly snacks increased by approximately 14.2% to RMB285.9 million while sales attributable to jelly beverages increased by approximately 48.5% to RMB231.5 million.

Confectionary products

Revenue of confectionary products decreased by approximately 6.4% from RMB104.1 million in the year ended 31 December 2020 to RMB97.4 million in the year ended 31 December 2021. The decrease was mainly due to weaker demand of feasive confectionary products in the PRC.

Beverage products

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue of beverages products of the Group decreased by approximately 41.6% to RMB3.0 million in the year ended 31 December 2021 as the Group continued to shift its focus from beverages products to core and more profitable jelly and bean curd products.

Other snacks products

Revenue of other snacks products increased by approximately 97.0% to RMB30.2 million during the year ended 31 December 2021 mainly due to the Group has launched a new series of healthy bean curd products which was well-received by the customers. Other snacks products includes cakes, breads, bean curd products, egg rolls etc. The Group will continue to develop new healthy snacks products to meet the different taste of the customers.

COST OF SALES AND GROSS PROFIT

Cost of sales of the Group increased by approximately 23.8% to RMB423.8 million in the year ended 31 December 2021, mainly attributable to the corresponding increase in sales. The gross profit of the Group increased by approximately 34.7% to RMB224.3 million in the year ended 31 December 2021. The gross profit margin increased slightly from 32.7% in the year ended 31 December 2020 to 34.6% in the year ended 31 December 2021 mainly due to the Group was managed to control the costs of raw materials and packaging materials.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group increased by approximately 12.8% to RMB87.1 million in the year ended 31 December 2021 primarily due to increased in advertising and promotion expenses by approximately 39.1% to RMB48.7 million during the period under review to promote its new retail, e-commerce, social media and society distribution channels.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 13.8% to RMB91.1 million in the year ended 31 December 2021 as compared with the same period in 2020, mainly due to cessation of the operation of Tianjin plant since the year ended 31 December 2020.

INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Bermuda and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the year ended 31 December 2021 and 2020. The subsidiaries in the PRC are subject to income tax rate of 25% on their taxable profit during the year ended 31 December 2021.

The income tax expense during the year ended 31 December 2021 was mainly due to PRC income tax for the year net of the movements in deferred tax assets.

NET LOSS FOR THE YEAR

For the year ended 31 December 2021, the Group recorded a net loss of RMB65.2 million, an increase of approximately 121.8% from the net loss of RMB29.4 million in last year. The increase in the net loss was mainly due to there was no one-off gain on disposal of a subsidiary in this year while the gain on disposal of a subsidiary in 2020 was RMB141,659,000.

FINANCIAL REVIEW

Financial resources and liquidity

The Group mainly finances its operations and capital expenditures by cash and bank balances, operating cash flows, bank borrowings and loan from a director.

As at 31 December 2021, the cash and bank balances amounted to RMB80.6 million (As at 31 December 2020: RMB258.8 million). The decrease in cash and bank balances was mainly due to repayment of bank borrowings and payment of interests. The bank borrowings of the Group decreased by RMB113.3 million during the year ended 31 December 2021.

As at 31 December 2021, the Group's gearing ratio (total borrowings divided by total equity) was 140.4% (As at 31 December 2020: 147.6%). The Group maintained sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group recorded net cash outflow from operating activities of RMB135.3 million for the year ended 31 December 2021 (2020: RMB12.5 million). The Group has spent RMB21.6 million in the year ended 31 December 2021 for the upgrade of production lines of the production plants. The Group has net cash outflow from financing activities of RMB156.4 million for the year ended 31 December 2021 which was mainly due to repayment of matured bank borrowings and payment of interest expenses.

Capital expenditure

During the year ended 31 December 2021, the Group incurred RMB21.6 million in capital expenditure mainly for the upgrade of production lines of the production plants.

Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, beverage products and other snacks products, as well as raw materials and packaging materials. As at 31 December 2021, the balance increased by RMB3.9 million from the beginning of the year. The increase in inventory level was mainly due to wholesale distributors increased their orders to meet the demand of Chinese lunar new year sales in early February 2022. The inventories turnover days for the years ended 31 December 2021 and 2020 were 72 days and 67 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors. The Group typically sells its products on credit and grant 180 days credit to most of the wholesale distributors. The balance increased by RMB86.3 million or 29.0% from the beginning of the year mainly due to increase in sales in year ended 31 December 2021 than in the corresponding period of the year ended 31 December 2020. This was mainly due to an increase in sales of jelly products as the Group began to strengthen its e-commerce and new retail channels and launched more advertising and promotion activities both online and offline during the year under review. The trade receivable turnover days for the years ended 31 December 2021 and 2020 were 205 days and 197 days, respectively.

Asset classified as held for sale

On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the “Vendor”) and an independent third party (the “Purchaser”) entered into the transfer agreement (the “Transfer Agreement”), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the land use right located in Jinjiang Food Industrial Park in Jinjiang City, Fujian Province, the PRC (the “FJ Land Right”) for a consideration of RMB180,000,000. Pursuant to the Transfer Agreement, both the Vendor and the Purchaser will liaise with Fujian Jinjiang Industrial Park Construction and Development Company Limited (the “Jinjiang Construction”), a company controlled by Jinjiang City People’s Government, regarding the transfer of the FJ Land Right. The Vendor will arrange for the termination of the FJ Land Right with Jinjiang Construction and the Purchaser will enter into an agreement with Jinjiang Construction regarding the new pre-registration contractual right to acquire the FJ Land Right. For more details, please refer to the announcement dated 15 May 2019.

Trade payables and bills payable

Trade payables mainly represent the balances due to the Group’s suppliers who generally grant credit terms ranging from 30 days to 60 days to the Group. The Group also used bank bills to settle trade payables.

Trade payables turnover days (including trade payables and bills payable) for the years ended 31 December 2021 and 2020 were 64 days and 175 days respectively.

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 2021, 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. The Company will continue to monitor foreign exchange changes to best preserve the Group’s cash value.

Charges on assets

As at 31 December 2021, no land and building of the Group was pledged as security for mortgage loan (31 December 2020: net book value of RMB6.0 million).

Contingent liabilities

As at 31 December 2021, the Group had no contingent liabilities (31 December 2020: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group had approximately 1,170 employees (including part-time employees) (2020: 1,060 employees) and the total remuneration expenses for the year ended 31 December 2021 amounted to RMB96.3 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.

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 2021.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2021. Further, there was no plan authorised by the Board for other material investments or additional capital assets as at the date of this announcement.

PROSPECTS

During the year ended 31 December 2021, the consumer sentiment in the PRC has gradually recovered from the hit by the COVID-19 outbreak. The Group's sales was positively affected by the recovery of the consumer sentiment and the removal of lock-up measures in the PRC. The Directors considered that the COVID-19 outbreak will continue to have short-term pressure on the Group's business. However, it may also lead to upgrade and consolidation opportunities of the food industry. As such, the Directors consider this is a good opportunity for the Group to expand its market share.

To build a solid foundation, the Group has formulated a mid-to-long term growth strategy. In year 2020, the Group had planned to expand its new retail, e-commerce, social media and society distribution channels and this strategy will continue in the next couple of years. In addition, the Group will also continue to adjust and upgrade its product portfolio to meet the demand of different customers.

While the near-term outlook for the snacks products sector of the PRC remains challenging, the country's ongoing economic reforms and the continuous expansion of middle and upper class population will propel continuous growth in retail consumption in the long run. Therefore, the Directors are cautiously optimistic to the long term development of the Group's business.

FINAL DIVIDEND

The board of directors of the Company has resolved not to declare a dividend for the year ended 31 December 2021 (2020: Nil), on the assumption that the audited annual results of the Company for the year ended 31 December 2021 to be published upon completion of the auditing process will be consistent in all material respects with the unaudited results set out herein.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in compliance with Rule 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Yau Tong (chairman), Mr. Li Biao and Ms. Sun Kam Ching. The Audit Committee has reviewed with management the management accounts, accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 December 2021.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to restrictions in force in Hong Kong and in parts of the PRC to combat the COVID-19 coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote stringent corporate governance practices and procedures with a view to safeguard the interests of shareholders and enhance investor confidence and the Company's accountability and transparency. The Company set out its corporate governance practices by reference to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2021, 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 2021.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. The Company has made specific enquiry of all Directors and all the Directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year under review.

FURTHER ANNOUNCEMENT(S)

The Company expects that the auditing process will be completed on or before 30 April 2022. Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2022

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

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