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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Unaudited		+ / (-)
	Six months ended 30 June		
	2023	2022	
	RMB' million	RMB' million	
Key income statement items			
Revenue	412.2	348.6	+18.2%
Gross Profit	115.5	115.6	-0.1%
EBITDA ⁽¹⁾	26.4	44.1	-40.1%
Loss for the period	(4.8)	(4.9)	-2.0%
Key performance indicators			
Gross profit margin	28.0%	33.2%	-5.2%pts
EBITDA margin	6.4%	12.7%	-6.3%pts
Net loss margin	(1.2%)	(1.4%)	+0.2%pts
Return on equity (LTM) ⁽²⁾	(1.5%)	(1.2%)	-0.3%pts
Loss per share			
– Basic	RMB0.004	RMB0.004	–
– Diluted	RMB0.004	RMB0.004	–
<i>Notes:</i>			
1.	EBITDA refers to profit before interests, income tax, depreciation, amortization, allowance for expected credit losses and loss on disposal of asset classified as held for sale.		
2.	Return on equity is calculated using profit/(loss) for the last six months divided by average of monthly ending equity balance for the relevant period.		

The board of directors (the “Board”) of Labixiaoxin Snacks Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023, together with comparative figures for the corresponding period in year 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited	
		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Revenue	5	412,182	348,603
Cost of sales		<u>(296,710)</u>	<u>(232,997)</u>
Gross profit		115,472	115,606
Other income	6	4,896	8,260
Other gain/(loss), net	7	27	(21,093)
(Allowance)/reversal of allowance for expected credit losses, net		(1,190)	6,549
Selling and distribution expenses		<u>(70,754)</u>	<u>(57,147)</u>
Administrative expenses		<u>(42,020)</u>	<u>(43,031)</u>
Operating profit		<u>6,431</u>	<u>9,144</u>
Finance income		73	38
Finance costs		<u>(12,297)</u>	<u>(14,593)</u>
Finance costs, net	8	<u>(12,224)</u>	<u>(14,555)</u>
Loss before taxation	9	(5,793)	(5,411)
Taxation	10	<u>961</u>	<u>534</u>
Loss and total comprehensive loss for the period		<u><u>(4,832)</u></u>	<u><u>(4,877)</u></u>
Loss per share attributable to equity holders of the Company (RMB per share)	11		
– Basic		<u><u>(0.004)</u></u>	<u><u>(0.004)</u></u>
– Diluted		<u><u>(0.004)</u></u>	<u><u>(0.004)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	<i>Note</i>	Unaudited	Audited
		30 June	31 December
		2023	2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		88,040	89,280
Property, plant and equipment		259,911	248,183
Deposits for property, plant and equipment		6,247	15,198
Deferred tax assets		961	–
		<u>355,159</u>	<u>352,661</u>
Current assets			
Inventories		75,415	75,382
Trade receivables	<i>13</i>	314,640	321,876
Prepayments and other receivables		151,371	155,516
Pledged bank deposits		10,720	–
Cash and cash equivalents		66,781	71,876
		<u>618,927</u>	<u>624,650</u>
Total assets		<u>974,086</u>	<u>977,311</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		470,030	470,030
Reserves		(147,550)	(142,718)
Total equity		<u>322,480</u>	<u>327,312</u>

		Unaudited	Audited
		30 June	31 December
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
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>14</i>	<u>186,220</u>	163,513
Bank borrowings	<i>15</i>	<u>449,540</u>	<u>470,640</u>
		<u>635,760</u>	<u>634,153</u>
Total liabilities		<u>651,606</u>	<u>649,999</u>
Total equity and liabilities		<u>974,086</u>	<u>977,311</u>
Net current liabilities		<u>(16,833)</u>	<u>(9,503)</u>
Total assets less current liabilities		<u>338,326</u>	<u>343,158</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 (“BVI”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Wuli Industrial Area, Jinjiang Fujian, the People’s Republic of China (“PRC”) (中國福建省晉江市五里工業園區).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are manufacturing and sale of jelly products, confectionery 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 condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. The condensed consolidated interim financial information has not been audited.

2 Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Group incurred a net loss of approximately RMB4,832,000 (six months ended 30 June 2022: approximately RMB4,877,000) for the six months ended 30 June 2023. As at 30 June 2023, the Group’s current liabilities exceeded its current assets by approximately RMB16,833,000 (As at 31 December 2022: approximately RMB9,503,000).

The directors of the Company have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2023. 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 30 June 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Notwithstanding the above results, the condensed consolidated interim financial information 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 RMB44,403,000 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 30 June 2023.

(2) *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.

(3) *Cost control measurements*

The Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations.

(4) *Business reorganisation*

The Group may consider to dispose non-core business and/or financial assets if required.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. The effect of these adjustments has not been reflected in the condensed consolidated interim financial information.

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2022.

3 Changes in Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised IFRSs for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The nature and impact of the new and revised IFRSs are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's condensed consolidated interim financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are not expected to have any significant impact on the Group's financial statements.

4 Financial Risk Management

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

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

5 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. 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.

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 without allocation of corporate income and corporate expenses including director's 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 condensed consolidated statement of profit or loss and other comprehensive income.

Geographical information

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

During the six months ended 30 June 2023 and 2022, none of the individual customer account for 10% or more of the Group's external revenue. As at 30 June 2023 and 31 December 2022, majority of the Group's assets, liabilities and capital expenditure were located or utilised in the PRC.

Segment revenue and results

	Unaudited				
	Six months ended 30 June 2023				
	Jelly	Confectionary	Beverages	Other	Reportable
	products	products	products	snacks	segments
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	total
					<i>RMB'000</i>
Revenue					
Sales to external customers	388,574	17,380	3,553	2,675	412,182
Cost of sales	<u>(275,407)</u>	<u>(14,850)</u>	<u>(4,854)</u>	<u>(1,599)</u>	<u>(296,710)</u>
Gross profit/(loss)	<u>113,167</u>	<u>2,530</u>	<u>(1,301)</u>	<u>1,076</u>	<u>115,472</u>
Results of reportable segments	<u>46,383</u>	<u>(382)</u>	<u>(1,913)</u>	<u>630</u>	<u>44,718</u>

Note: For sales to external customer, the revenue is recognized 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 period is as follows:

	Unaudited				
	Six months ended 30 June 2023				
	Jelly products <i>RMB'000</i>	Confectionary products <i>RMB'000</i>	Beverages products <i>RMB'000</i>	Other snacks products <i>RMB'000</i>	Reportable segments total <i>RMB'000</i>
Results of reportable segments					44,718
Corporate income					4,923
Corporate expenses					<u>(43,210)</u>
Operating profit					6,431
Finance income					73
Finance costs					<u>(12,297)</u>
Loss before taxation					(5,793)
Taxation					<u>961</u>
Loss for the period					<u><u>(4,832)</u></u>
Amounts included in the measure of segment profit or loss:					
Capital expenditure	<u>16,839</u>	<u>–</u>	<u>3,524</u>	<u>–</u>	<u>20,363</u>
Depreciation of right-of-use assets	<u>772</u>	<u>–</u>	<u>468</u>	<u>–</u>	<u>1,240</u>
Depreciation of property, plant and equipment	<u>17,321</u>	<u>–</u>	<u>169</u>	<u>21</u>	<u>17,511</u>
Allowance for expected credit losses on trade receivables	<u>1,122</u>	<u>50</u>	<u>10</u>	<u>8</u>	<u>1,190</u>

	Unaudited				
	Six months ended 30 June 2022				
	Jelly	Confectionary	Beverages	Other	Reportable
	products	products	products	snacks	segments
	products	products	products	products	total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue					
Sales to external customers	323,165	14,722	2,475	8,241	348,603
Cost of sales	<u>(213,762)</u>	<u>(10,872)</u>	<u>(3,587)</u>	<u>(4,776)</u>	<u>(232,997)</u>
Gross profit/(loss)	<u>109,403</u>	<u>3,850</u>	<u>(1,112)</u>	<u>3,465</u>	<u>115,606</u>
Results of reportable segments	<u>56,226</u>	<u>1,554</u>	<u>(1,516)</u>	<u>2,195</u>	<u>58,459</u>

Note: For sales to external customer, the revenue is recognized 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 period is as follows:

	Unaudited				Reportable
	Six months ended 30 June 2022				segments
	Jelly	Confectionary	Beverages	Other	segments
	products	products	products	snacks	total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Results of reportable segments					58,459
Corporate income					8,260
Loss on disposal of asset classified as held for sale					(20,923)
Corporate expenses					<u>(36,652)</u>
Operating profit					9,144
Finance income					38
Finance costs					<u>(14,593)</u>
Loss before taxation					(5,411)
Taxation					<u>534</u>
Loss for the period					<u><u>(4,877)</u></u>
Amounts included in the measure of segment profit or loss:					
Capital expenditure	<u>1,621</u>	<u>–</u>	<u>99</u>	<u>–</u>	<u>1,720</u>
Depreciation of right-of-use assets	<u>772</u>	<u>–</u>	<u>468</u>	<u>–</u>	<u>1,240</u>
Depreciation of property, plant and equipment	<u>19,096</u>	<u>–</u>	<u>132</u>	<u>103</u>	<u>19,331</u>
Reversal of allowance for expected credit losses on trade receivables	<u>(6,071)</u>	<u>(277)</u>	<u>(46)</u>	<u>(155)</u>	<u>(6,549)</u>

6 Other Income

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	1,450	1,935
Government subsidy	386	1,722
Sundry income	2,760	4,589
Gain on sale of scrap materials	300	14
	<u>4,896</u>	<u>8,260</u>

7 Other Gain/(Loss), Net

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of asset classified as held for sale	–	(20,923)
Net exchange gain/(loss)	27	(170)
	<u>27</u>	<u>(21,093)</u>

8 Finance Costs, Net

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses on bank borrowings	(11,864)	(14,209)
Interest expenses on loan from a director	(433)	(384)
	<u> </u>	<u> </u>
Total finance costs	<u>(12,297)</u>	<u>(14,593)</u>
Finance income:		
Interest income on bank deposits	<u>73</u>	<u>38</u>
	<u> </u>	<u> </u>
Total finance income	<u>73</u>	<u>38</u>
	<u> </u>	<u> </u>
Finance costs, net	<u>(12,224)</u>	<u>(14,555)</u>

9 Loss Before Taxation

Loss before taxation is arrived at after (crediting)/charging the following:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventory sold	235,692	180,359
Advertising and promotion expenses	44,312	34,522
Freight and transportation expenses	2,600	4,427
Staff cost (including directors' remunerations)		
– Salaries and bonuses	61,257	48,037
– Employer's contribution to defined contribution plans	2,636	2,278
Depreciation of property, plant and equipment	17,511	19,331
Depreciation of right-of-use assets	1,240	1,240
Allowance/(reversal of allowance) for expected credit losses, net	1,190	(6,549)
Loss on disposal of asset classified as held for sale	–	20,923
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

10 Taxation

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax – PRC Enterprise Income Tax	–	–
Deferred tax, net	(961)	(534)
	<u>(961)</u>	<u>(534)</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 six months ended 30 June 2023 and 2022.

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at rate of 25% (2022: 25%) on taxable profit of the Group's PRC subsidiaries during the six months ended 30 June 2023.

11 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 period.

	Unaudited	
	Six months ended 30 June	
	2023	2022
Net loss attributable to the equity holders of Company (<i>RMB'000</i>)	<u><u>(4,832)</u></u>	<u><u>(4,877)</u></u>
Weighted average number of ordinary shares in issue for basic loss per share (<i>'000</i>)	<u><u>1,328,977</u></u>	<u><u>1,328,977</u></u>
Basic loss per share (<i>RMB per share</i>)	<u><u>(0.004)</u></u>	<u><u>(0.004)</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.

12 Dividends

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

13 Trade Receivables

For the six months ended 30 June 2023, the Group's revenue are generally on credit term of 180 days (2022: 180 days). As at 30 June 2023 and 31 December 2022, the ageing analysis of trade receivables, based on invoice date, and net of allowance for expected credit losses, is as follows:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Less than 30 days	57,139	63,121
31 days – 90 days	101,513	68,586
91 days – 180 days	73,678	108,093
Over 180 days	82,310	82,076
	<u>314,640</u>	<u>321,876</u>

14 Trade and Other Payables

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Trade payables	32,385	27,912
Bills payable (<i>Note (i)</i>)	13,610	–
Accrued expenses	14,015	8,759
Directors' fees and emoluments payable	21,681	20,612
Loan from a director (<i>Note (ii)</i>)	44,403	41,798
Other payables and sundry creditors (<i>Note (iii)</i>)	60,126	64,432
	<u>186,220</u>	<u>163,513</u>

Notes:

- (i) As at 30 June 2023, bills payable amounting to approximately RMB13,610,000 were secured by pledged bank deposits of approximately RMB10,720,000. The bills payable were with maturity period within 1 year.
- (ii) As at 30 June 2023, the Company has drawn down an aggregate amount of approximately RMB44,403,000 (31 December 2022: RMB41,798,000) from a loan facility of RMB60,000,000 (31 December 2022: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

(iii) As at 30 June 2023, other payables included interest payable of approximately RMB4,518,000 (31 December 2022: RMB4,085,000) due to a director.

The credit periods granted by suppliers generally range from 30 to 60 days (2022: 30 to 60 days). As at 30 June 2023, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 30 days	16,285	19,092
31 days – 90 days	14,106	7,250
Over 90 days	1,994	1,570
	32,385	27,912

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

15 Bank Borrowings

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Secured bank borrowings	449,540	470,640
Unsecured bank borrowings	–	–
Total bank borrowings	449,540	470,640
Carrying amount of bank borrowings wholly repayable:		
On demand or within 1 year	449,540	470,640

16 Event 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 six months ended 30 June 2023, the Group has reported revenue of RMB412.2 million, representing an increase of approximately 18.2% as compared with the corresponding period of last year mainly due to increase in sales of jelly products by 20.2%. In the past few years, the Group had put immense efforts in expanding its new retail, e-commerce, social media and society distribution channels (collectively the “New Sales Channels”). The expansion of these New Sales Channels started to pay off during the year ended 31 December 2022 and continued to boost the sales of our jelly products in the six months ended 30 June 2023. During the six months ended 30 June 2023, the consumer sentiment in the PRC continued to recover from the hit by the Novel Coronavirus (“COVID-19”) outbreak. The Group’s sales was positively affected by the gradual recovery of the consumer sentiment and resulted in the increase in sales for the six months ended 30 June 2023 as compared with the corresponding period in year 2022. In addition, after 2023 Lunar New Year, the Group had sold its festive jelly and confectionary products at extra discounts to distributors with a view to clearing up the unsold inventories. While this measure increased the sales of jelly and confectionary products and improved the liquidity of the Group, it also hurt the gross profit margin of the jelly and confectionary products. Furthermore, during the six months ended 30 June 2023, the Group was also negatively affected by the global inflation of raw materials and the increase in production costs e.g. the payroll of production staff. Although the Group had tried its best to pass the inflation pressure onto its customers, the significant inflation of the raw materials and production costs had caused negative impact on the gross profit margin of the Group.

For the six months ended 30 June 2023, the Group recorded a net loss of RMB4.8 million (30 June 2022: RMB4.9 million). The main reasons for the Group’s net loss during the six months ended 30 June 2023 was mainly due to the Group had increased the advertising and promotion expenses by RMB9.8 million during the six months ended 30 June 2023 as compare with the corresponding period in year 2022 mainly to promote its new jelly products.

Revenue

Revenue increased by approximately 18.2% to RMB412.2 million in the first half of year 2023 when compared with the same period in year 2022. During the period under review, the Group's sales performance has been positively impacted by the recovery of consumer sentiments of the PRC. In addition, after 2023 Lunar New Year, the Group had sold its festive jelly and confectionary products at extra discounts to distributors with a view to clearing up the unsold inventories. Both of these factors lead to the increase in sales for the six months ended 30 June 2023 as compared with the corresponding period in year 2022.

During the period under review, the Group has continued to exert immense efforts in developing its distribution network. As at 30 June 2023, the Group had a total number of 634 distributors (30 June 2022: 930).

Jelly products

Revenue of jelly products increased by approximately 20.2% from RMB323.2 million in the first half of year 2022 to RMB388.6 million in the first half of year 2023 due to the reasons explained above. During the six months ended 30 June 2023, revenue attributable to jelly snacks increased by approximately 14.2% to RMB202.2 million while sales attributable to jelly beverages increased by approximately 27.5% to RMB186.4 million.

Confectionary products

Revenue of confectionary products increased by approximately 18.1% from RMB14.7 million in the first half of year 2022 to RMB17.4 million in the first half of year 2023. The increase in revenue of confectionary products was mainly due to the Group had sold the festive confectionary products to the distributors at extra discounts after the 2023 Lunar New Year to clear up the unsold inventories.

Beverages products

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue of beverages products of the Group increased by approximately 43.6% to RMB3.6 million in the first half of year 2023 mainly due to increase in sales of dairy beverages products.

Other snacks products

Revenue of other snacks products decreased by approximately 67.5% to RMB2.7 million, mainly due to the Group did not launch new products in this category in the six months ended 30 June 2023 as the contribution of these products is minimal to the Group.

Cost of Sales and Gross Profit

Cost of sales increased by approximately 27.3% to RMB296.7 million in the first half of year 2023, mainly attributable to the corresponding increase in sales. The gross profit decreased by approximately 0.1% to RMB115.5 million in the first half of year 2023. The gross profit margin decrease from 33.2% in the first half of year 2022 to 28.0% in the first half of year 2023 mainly due to increase in costs of raw materials and production staff.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 23.8% to RMB70.8 million in the first half of year 2023 primarily due to increase in advertising and promotion expenses by approximately 28.4% to RMB44.3 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 2.3% to RMB42.0 million in the first half of year 2023 as compared with the same period in year 2022. This was mainly due to tighter cost control on administrative expenses by management during the period under review.

Income Tax Expense

During the six months ended 30 June 2023, the Group did not have any assessable income in Bermuda, BVI and Hong Kong. The subsidiaries in the PRC are subject to income tax rate of 25% on their taxable profit during the period. The income tax credit during the period under review was primarily due to the movements in deferred tax assets.

Net Loss for the Period

For the six months ended 30 June 2023, the Group recorded a net loss of RMB4.8 million (30 June 2022: RMB4.9 million). The main reasons for the Group's net loss during the six months ended 30 June 2023 was mainly due to the Group had increased the advertising and promotion expenses by RMB9.8 million during the six months ended 30 June 2023 as compare with the corresponding period in year 2022 mainly to promote its new jelly products.

FINANCIAL REVIEW

Financial resources and liquidity

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

As at 30 June 2023, the bank balances and bank deposits amounted to RMB66.8 million which is RMB5.1 million less than the balance as at 31 December 2022. The decrease in bank balances and bank deposits was mainly due to decrease in bank borrowings of RMB21.1 million and the payment of interest expenses of RMB11.9 million during the six months ended 30 June 2023.

As at 30 June 2023, the Group's gearing ratio (total borrowings divided by total equity) was 153.2% (As at 31 December 2022: 156.6%). The Group maintains sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group recorded net cash inflow from operating activities of RMB56.3 million in the first half of year 2023 (2022: net cash outflow of RMB37.9 million) which is significantly improved from the same period in last year. The significant improvement in operating cash flow for the period under review was mainly due to improvement in collection of trade receivables and increase in trade and other payables. The Group has spent RMB31.0 million in investing activities in the first half of year 2023 mainly for the upgrade of production lines of the production plants. The Group has net cash outflow from financing activities of RMB30.4 million in the first half of year 2023 mainly due to the Group has repaid approximately RMB21.1 million bank borrowings and paid interest expenses of RMB11.9 million during the period under review.

Capital expenditure

During the six months ended 30 June 2023, the Group incurred RMB20.4 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 30 June 2023, the balance of inventory has no significant change from the beginning of the year. The inventories turnover days for the first half of year 2023 and year 2022 were 49 days and 61 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. Balance decreased by RMB7.2 million from the beginning of the year. The trade receivables turnover days for the first half of year 2023 and year 2022 were 141 days and 194 days, respectively. Subsequent to the period end and up to the date of this announcement, approximately RMB133.9 million of the trade receivables were settled by the wholesale distributors.

Trade payables

Trade payables mainly represent the balances due to the Group's suppliers who generally grant credit terms ranging from 30 days to 60 days to the Group.

Trade payables turnover days for the six months ended 30 June 2023 and 2022 were 36 days and 25 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 six months ended 30 June 2023, 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.

Charges on assets

As at 30 June 2023, land use rights and buildings of the Group with carrying values of RMB88,040,000 (31 December 2022: RMB89,280,000) and RMB97,937,000 (31 December 2022: RMB107,195,000) respectively, were pledged to banks as securities for banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2023, the Group had no contingent liabilities (31 December 2022: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2023, the Group had approximately 1,300 employees and total remuneration expenses for the six months ended 30 June 2023 amounted to RMB63.9 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.

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 period ended 30 June 2023. Further, there was no plan authorised by the Board for other material investments or additional capital assets as at the date of this interim results announcement.

PROSPECT

At the end of year 2022, the PRC government announced to uplift quarantine requirements for locals in December 2022 and international arrivals starting from 8 January 2023, which marked a significant move in returning to normally. This important move had boosted the consumer sentiment in the PRC and the market demand for the Group's snack products had increased during the six months ended 30 June 2023.

The Directors considered that the PRC economy and snacks industry will continue to rebound in the second half of year 2023 and onwards. The Directors considered that a steady and healthy recovery of PRC's economy and our business may happen in the short to medium term. To build a solid foundation for mid-to-long term growth, the Group will continue committing to (i) take proactive steps in marketing its brand image and products in year 2023 and onwards, (ii) launch new snacks products from time to time to offer better choices to the consumers and (iii) restructure and consolidating its production facilities to enhance its production and logistic efficiency. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the longer run.

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 growth in retail consumption in the long run. Therefore, the Directors are cautiously optimistic to the long term development of the Group's business.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the period under review.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the Company’s management the accounting principles and practices adopted by the Group. The Audit Committee has also reviewed the interim results of the Group for the six months ended 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company’s accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2023, the Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set forth therein the CG Code.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. The Company has made specific enquiries with all directors of the Company and all the directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions during the six months ended 30 June 2023.

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.lbxxgroup.com>). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the aforesaid websites in due course.

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

Hong Kong, 30 August 2023

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 of the Company, Li Hung Kong as non-executive director of the Company and Li Biao, Guo Li and Chung Yau Tong as independent non-executive directors of the Company.

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.