LABIXIAOXIN SNACKS GROUP LIMITED
蠟筆小新休閒食品集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1262)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	2017	Change
	RMB' million	*RMB' million*	+/(-)%
Key income statement items			
Revenue	**502.8**	902.8	–44.3%
Gross Profit	**128.1**	203.2	–37.0%
EBITDA/(LBITDA)[1]	**31.3**	(111.8)	–128%
Loss for the year	**(179.6)**	(289.4)	–37.9%
Key performance indicators			
Gross profit margin	**25.5%**	22.5%	+3.0%pts
EBITDA/(LBITDA) margin	**6.2%**	–12.4%	+18.6%pts
Net loss margin	**–35.7%**	–32.1%	+3.6%pts
Return on equity[2]	**–22.5%**	–27.4%	–4.9%pts
Loss per share			
– Basic	**RMB(0.14)**	RMB(0.22)	–36.4%
– Diluted	**RMB(0.14)**	RMB(0.22)	–36.4%

1. EBITDA/(LBITDA) refers to profit/(loss) before interests, income tax, depreciation, amortisation, non-cash share-based payments, impairment loss on property, plant and equipment, impairment loss on loan receivable and reversal of credit losses on trade receivable.

2. Return on equity is calculated using loss for the year divided by average of monthly ending equity balance for the year.

The board of directors (the "Board") of Labixiaoxin Snacks Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**502,802**	902,795
Cost of sales		**(374,683)**	(699,550)
Gross profit		**128,119**	203,245
Other income	*4*	**25,909**	15,095
Other losses, net	*5*	**(10,213)**	(78,182)
Impairment loss on property, plant and equipment		**–**	(94,535)
Impairment loss on loan receivable	*12*	**(107,100)**	–
Selling and distribution expenses		**(86,267)**	(233,691)
Administrative expenses		**(98,908)**	(99,169)
Operating loss		**(148,460)**	(287,237)
Finance income		**1,385**	2,070
Finance costs		**(44,826)**	(42,725)
Finance costs, net	*6*	**(43,441)**	(40,655)
Loss before taxation	*7*	**(191,901)**	(327,892)
Taxation	*8*	**12,307**	38,487
Loss and total comprehensive loss for the year		**(179,594)**	(289,405)
Loss per share attributable to equity holders of the Company (RMB per share)			
Basic and diluted	*9*	**(0.14)**	(0.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Land use rights		**131,026**	134,342
Property, plant and equipment		**865,994**	944,129
Deposits for property, plant and equipment		**42,437**	41,170
Deferred income tax assets		**130,490**	130,490
		1,169,947	1,250,131
Current assets			
Inventories		**53,463**	63,976
Trade receivables	*11*	**226,228**	305,946
Prepayments and other receivables		**132,843**	131,788
Loan receivable	*12*	**21,400**	128,500
Pledged bank deposits		**64,959**	43,300
Cash and cash equivalents		**25,507**	72,833
		524,400	746,343
Total assets		**1,694,347**	1,996,474
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**470,030**	470,030
Share premium		**615,656**	615,656
Other reserves		**102,126**	102,126
Accumulated losses		**(520,455)**	(337,546)
Total equity		**667,357**	850,266

	Notes	**2018**	2017
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**19,233**	31,540
Bank borrowings	*14*	**–**	200,000
		19,233	231,540
Current liabilities			
Trade and other payables	*13*	**299,368**	331,429
Bank borrowings	*14*	**708,389**	583,239
		1,007,757	914,668
Total liabilities		**1,026,990**	1,146,208
Total equity and liabilities		**1,694,347**	1,996,474
Net current liabilities		**(483,357)**	(168,325)
Total assets less current liabilities		**686,590**	1,081,806

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"), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements in conformity with IFRSs 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 Group incurred a net loss of approximately RMB179,594,000 (2017: approximately RMB289,405,000) for the year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB483,357,000 (2017: RMB168,325,000). 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 RMB29,498,000 loan 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 31 December 2018.

(2) Potential disposal of the land

The Group is in the process of seeking purchaser to acquire the land located at Jinjian Food Industrial Park（晉江市食品產業園）with a total site area of approximately 100,000 square meters together with the buildings thereon with an aggregate site area of approximately 106,000 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.

In view of the above, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

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

Application of new and revised IFRSs – effective on 1 January 2018

In the current year, the Group has applied, for the first time, the following new and amendments to the IFRSs (the "new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB"), which are effective for the Group's financial year beginning from 1 January 2018. A summary of the new and revised IFRSs applied by the Group is set out as follows:

IAS 28 (Amendments)	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
IAS 40 (Amendments)	Transfers of Investment Property
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (Amendments)	Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the annual report.

The above new and revised IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new and revised IFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below

Consolidated statement of financial position (extract)	**As at 31 December 2017**	**IFRS 9**	**As at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Trade receivables	305,946	(3,315)	302,631
Equity			
Accumulated losses	(337,546)	(3,315)	(340,861)

IFRS 9 Financial instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets; and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

Under the transition methods chosen, the Group recognises the cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been affected by IFRS 9.

(i) Classification and measurement

	At 31 December 2017	**Impact on initial application of IFRS 9**	**At 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Trade receivables	305,946	(3,315)	302,631
Equity			
Accumulated losses	(337,546)	(3,315)	(340,861)

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortise cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

There is no reclassification or remeasurement of the financial assets, including cash and cash equivalent, trade receivables, other receivables, loan receivable and pledge bank deposit for the adoption of IFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

(ii) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including loan receivable, other receivables, pledged bank deposits and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

All loss allowances, including trade receivables, other financial assets at amortised cost as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivable *RMB'000*
At 31 December 2017-IAS39	1,073
Amounts re-measured through opening – accumulated losses	3,315
At 1 January 2018-IFRS9	4,388

IFRS 15 Revenue from Contracts with Customers and the related Amendments

As a result of the changes in the Group's accounting policies, as explained below, IFRS 15 was generally adopted without restating any other comparative information. The adoption of IFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

IFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under IFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 January 2018.

New and revised IFRSs that have been issued but are not yet effective

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

IAS 1 and IAS 8 (Amendments)	Definition of Material[3]
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
IAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
IFRS (Amendments)	Annual Improvements to IFRSs 2015-2017 Cycle[1]
IFRS 3 (Amendments)	Definition of a Business[2]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[4]
IFRIC – Int 23	Uncertainty over Income Tax Treatments[1]

[1] *Effective for annual periods beginning on or after 1 January 2019.*

[2] *Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

[3] *Effective for annual periods beginning on or after 1 January 2020.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

[5] *Effective for annual periods beginning on or after a date to be determined.*

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. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

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

During the year ended 31 December 2018 and 31 December 2017, none of the individual customer accounted for 10% or more of the Group's external revenue (2017: none). As at 31 December 2018 and 2017, majority of the Group's assets, liabilities and capital expenditure were located or utilised in the PRC.

	Year ended 31 December 2018				
	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 *(Note)*	**357,803**	**115,425**	**25,942**	**3,632**	**502,802**
Cost of sales	**(269,175)**	**(82,831)**	**(20,579)**	**(2,098)**	**(374,683)**
Gross profit	**88,628**	**32,594**	**5,363**	**1,534**	**128,119**
Results of reportable segments	**27,051**	**12,913**	**952**	**936**	**41,852**

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:

Results of reportable segments	**41,852**
Corporate income	**15,696**
Impairment loss on loan receivable	**(107,100)**
Corporate expenses	**(98,908)**
Operating loss	**(148,460)**
Finance income	**1,385**
Finance costs	**(44,826)**
Loss before taxation	**(191,901)**
Taxation	**12,307**
Loss for the year	**(179,594)**

Amounts included in the measure of segment profit or loss:

Amortisation of land use rights	**2,381**	**–**	**935**	**–**	**3,316**
Depreciation of property, plant and equipment	**50,709**	**–**	**18,197**	**786**	**69,692**
Loss on disposal of property, plant and equipment	**10,338**	**–**	**–**	**–**	**10,338**
Reversal of credit losses on trade receivables	**(313)**	**–**	**(77)**	**–**	**(390)**

	Year ended 31 December 2017				
	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	599,243	165,693	73,567	64,292	902,795
Cost of sales	(457,243)	(128,252)	(66,519)	(47,536)	(699,550)
Gross profit	142,000	37,441	7,048	16,756	203,245
Results of reportable segments	(108,278)	(5,129)	(11,915)	341	(124,981)

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

Results of reportable segments	(124,981)
Corporate income	19,667
Corporate expenses	(181,923)
Operating loss	(287,237)
Finance income	2,070
Finance costs	(42,725)
Loss before taxation	(327,892)
Taxation	38,487
Loss for the year	(289,405)

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	53,533	–	21,404	1,583	76,520
Impairment loss on property, plant and equipment	94,535	–	–	–	94,535
Loss on disposal of property, plant and equipment	20,337	–	59,706	–	80,043
Impairment on trade receivables	1,073	–	–	–	1,073

Geographical information

During the years ended 31 December 2018 and 2017, the Group mainly operated in the PRC and most of the Group's revenue were derived from the PRC and most of the assets of the Group were located in the PRC as at 31 December 2018 and 31 December 2017. No analysis of the Group's result and assets by geographical area is disclosed.

4 Other income

	2018	2017
	RMB'000	*RMB'000*
Rental income	**9,237**	7,534
Government subsidy	**–**	2,464
Sundry income	**5,315**	–
Gain on sales of raw materials and scrap materials	**11,357**	5,097
	25,909	15,095

5 Other losses, net

	2018	2017
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(10,338)**	(80,043)
Net exchange gain	**125**	1,861
	(10,213)	(78,182)

6 Finance costs, net

	2018	2017
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank borrowings	**(44,332)**	(42,219)
Interest expenses on loan from a director	**(494)**	(506)
Total finance costs	**(44,826)**	(42,725)
Finance income:		
Interest income on bank deposits	**1,385**	2,070
Total finance income	**1,385**	2,070
Finance costs, net	**(43,441)**	(40,655)

7 Loss before taxation

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

	2018	2017
	RMB'000	*RMB'000*
Auditors' remuneration		
– Audit service	**1,989**	2,145
– Non-audit service	**24**	24
Staff costs (including directors' remuneration)		
– Salaries and bonuses	**85,962**	113,900
– Employer's contribution to defined contribution plans	**5,943**	13,154
Advertising and promotion expenses	**37,399**	170,507
Amortisation of land use rights	**3,316**	3,316
Depreciation of property, plant and equipment	**69,692**	76,520
Loss on disposal of property, plant and equipment	**10,338**	80,043
Impairment loss on property, plant and equipment	**–**	94,535
Impairment loss on loan receivable	**107,100**	–
Impairment on trade receivables	**–**	1,073
Reversal of credit losses on trade receivables	**(390)**	–
Cost of inventory sold	**242,826**	552,667
Freight and transportation expenses	**1,169**	3,795

8 Taxation

	2018	2017
	RMB'000	*RMB'000*
Current income tax – PRC Enterprise Income Tax	**–**	–
Deferred income tax, net	**(12,307)**	(38,487)
	(12,307)	(38,487)

Hong Kong Profits Tax, Bermuda and BVI Income Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, 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 Group considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 2018 (2017: Nil).

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at the rate of 25% (2017: 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 2018 (2017: 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.

	2018	2017
Net loss attributable to the equity holders of the Company *(RMB'000)*	**(179,594)**	(289,405)
Weighted average number of ordinary shares in issue for basic loss per share *('000)*	**1,328,977**	1,328,977
Basic loss per share *(RMB per share)*	**(0.14)**	(0.22)

(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 2018 (2017: Nil).

11 Trade receivables

For the year ended 31 December 2018, the Group's revenue are generally on credit term of 180 days (2017: 90 days). As at 31 December 2018, the ageing analysis of trade receivables, based on invoice date and net of allowance for credit losses, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**69,552**	136,761
31 days – 90 days	**48,764**	148,134
Over 90 days	**107,912**	21,051
	226,228	305,946

12 Loan receivable

On 19 June 2015, a wholly-owned subsidiary of the Group (the "Lender") entered into an entrusted loan agreement with a PRC bank, as the lending agent (the "Lending Bank"), and an independent PRC third party entity (the "Borrower"), pursuant to which the Lender, agreed to grant the entrusted loan in the principal amount of RMB250 million (the "Entrusted Loan") to the Borrower (the "Entrusted Loan Agreement"). The purpose of granting the Entrusted Loan by the Group was to better utilize the surplus cash of the Group under a short-term arrangement to generate higher interest income.

The Entrusted Loan is secured by (i) a personal guarantee of RMB250 million provided by a controlling shareholder of the Borrower; (ii) a corporate guarantee of RMB228.8 million given by a fellow subsidiary of the Borrower; and (iii) certain land parcels in the PRC valued at RMB30.3 million, as security to the obligations of the Borrower under the Entrusted Loan Agreement. The Entrusted Loan has a term of one year and bearing interest at 0.5% per month.

As at 31 December 2018, the Borrower has drawn up an aggregate amount of RMB220 million of the Entrusted Loan with interests accrued in the amount of approximately RMB1.1 million (the "Outstanding Amounts"). The Entrusted Loan matured and shall be repaid by the Borrower on 18 June 2016. However, up to the date of this announcement, the Borrower has not repaid the Outstanding Amounts.

On 10 March 2017, the Lending Bank initiated a legal proceeding (the "Legal Proceeding") with the Quanzhou Intermediate People's Court in the People's Republic of China ("Quanzhou Court") against the Borrower as well as its fellow subsidiary and its controlling shareholder (i.e. Mr. Hong) (collectively, the "Defendants"). On 29 March 2018, the Quanzhou Court published a judgement to order the Borrower to (a) repay the principal amount of the Entrusted Loan in the amount of RMB220 million; (b) pay the interests (including penalty interests and compound interests) of RMB30.2 million; (c) pay the interests (including penalty interests and compound interests) to be accrued for the period from 14 November 2017 up till the date of actual repayment; and (d) pay the legal fee of RMB500,000.

If the Borrower failed to fulfill the court order stated above, the Lending Bank can force the sales of the assets (i.e. the land situated in Luojiang District, Quanzhou City, Fujian Province) (the "Pledged Assets") charged by the Borrower to the Lending Bank pursuant to the Entrusted Loan Agreement. The Lending Bank has the priority on receiving the sales proceeds of the Pledged Assets. In addition, the fellow subsidiary of the Borrower (being the entity which provided the corporate guarantee as security for the Entrusted Loan) and Mr. Hong (the controlling shareholder of the Borrower and who provided the personal guarantee as security for the Entrusted Loan) are jointly liable for the repayment obligation under the Entrusted Loan Agreement in the amount of RMB250.0 million.

Up to the date of this announcement, the Borrower fail to fulfill the court order and the Lending Bank is taking actions to force the sales of the Pledged Assets. Based on the best estimate taking into account all the relevant information currently available to the Company, the Company anticipates that the recoverable amount of the Entrusted Loan would be approximately RMB21.4 million representing the market value of the Pledged Assets. In order to estimate a reliable recoverable amount of the Entrusted Loan as at 31 December 2018, the directors of the Company have considered mainly the market value of the Pledged Assets. Although the Entrusted Loan was also secured by the personal and corporate guarantees, the directors of the Company at this stage are unable to ascertain whether the guarantors have the ability to fully repay the Outstanding Amounts. Hence, an impairment of approximately RMB107.1 million has been provided in the consolidated financial statements of the Group for the year ended 31 December 2018.

13 Trade payable

The credit periods granted by suppliers generally range from 30 to 60 days. As at 31 December 2018, the ageing analysis of trade payables based on invoice date is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**20,033**	73,513
31 days – 90 days	**6,636**	6,246
Over 90 days	**738**	267
	27,407	80,026

The carrying amounts of trade payables approximate their fair values.

14 Bank borrowings

	2018	2017
	RMB'000	*RMB'000*
Secured bank borrowings	**469,289**	483,239
Unsecured bank borrowings	**239,100**	300,000
Total bank borrowings	**708,389**	783,239

Carrying amount of bank borrowings wholly repayable:

On demand or within 1 year	**708,389**	583,239
More than 1 year, but not exceeding 2 years	**–**	200,000
More than 2 years but not more than 5 years	**–**	–
	708,389	783,239
Less: amounts show under current liabilities	**(708,389)**	(583,239)
Amount classified as non-current liabilities	**–**	200,000

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

	2018	2017
	RMB'000	*RMB'000*
RMB	**706,100**	780,450
HKD	**2,289**	2,789
	708,389	783,239

As at 31 December 2018, the bank borrowing of HKD2,750,000 (equivalent to approximately RMB2,289,000) (2017: HKD3,350,000 equivalent to approximately RMB2,789,000) was secured by the land and buildings of approximately RMB6,955,000 (2017: RMB7,467,000) and charged at a floating interest rate of HIBOR + 2.25% which was repricing every month.

As at 31 December 2018, the short-term secured bank borrowings of approximately RMB150,000,000 (2017: RMB142,850,000) were secured by corporate guarantee by inter-group companies. The bank borrowings were repayable within 12 months and charged at floating interest rate of 5.00% (2017: 4.92% to 5.05%) which was repricing every 12 months.

As at 31 December 2018, the short-term secured bank borrowings of approximately RMB59,000,000 (2017: RMB60,000,000) were secured by corporate guarantee by inter-group companies. The bank borrowings were repayable within 12 months and charged at floating interest rate of 5.92% (2017: 5.71%), which was repricing every 3 months.

As at 31 December 2018, the short-term secured bank borrowings of approximately RMB198,000,000 (2017: RMB198,000,000) were secured by corporate guarantee by inter-group companies and personal guarantees of Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company. The bank borrowings were repayable within 12 months and charged at floating interest rate of 5.44% (2017: 5.22% to 5.44%) which was repricing every 3 months.

As at 31 December 2018, the short-term secured bank borrowings of approximately RMB60,000,000 (2017: RMB60,000,000) were secured by corporate guarantee by inter-group companies and personal guarantees of Mr. Zheng Yu Shuang, and Mr. Zheng Yu Huan, directors of the Company, and the wife of Mr. Zheng Yu Shuang. The bank borrowings were repayable within 12 months and charged at fixed interest rates of 5.66% (2017: 5.66%) per annum.

As at 31 December 2017, the short-term secured bank borrowings of approximately RMB9,800,000 was secured by personal guarantee of Mr. Zheng Yu Huan, director of the Company. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 4.35% per annum.

As at 31 December 2017, the short-term secured bank borrowings of approximately RMB9,800,000 were secured by personal guarantee of a key management personnel of the Company. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 4.35% per annum.

As at 31 December 2018, short-term unsecured bank borrowings of RMB89,100,000 (2017: RMB100,000,000) were repayable within 12 months and charged at fixed interest rate of 5.73% to 6.09% (2017: 5.22% to 5.74%) per annum.

As at 31 December 2018, long-term unsecured bank borrowings of RMB150,000,000 (2017: RMB200,000,000) were repayable within 1 year (2017: 2 years) and charged at fixed interest rate of 5.70% (2017: 5.70%) per annum.

The carrying amount of all borrowings approximate their fair values.

15 Events after the reporting period

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

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's audited financial statements for the year ended 31 December 2018:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB179,594,000 during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB483,357,000. As stated in Note 2, these conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2018, Labixiaoxin Snacks Group Limited (the "Company" and together with its subsidiaries, the "Group") has reported revenue of approximately RMB502.8 million, representing a decrease of approximately 44.3% as compared with the year ended 31 December 2017. The decrease in the reported revenue was mainly due to poor consumer sentiment of the snack products in the People's Republic of China (the "PRC"). In addition, the decrease in revenue was also due to the Group having ceased the production of the majority of low margin product items with a view to enhancing the Group's overall profitability. Although this measure had immediately improved the gross profit margin ratio of the Group, it had also imposed a short-term negative pressure on the Group's revenue during the year ended 31 December 2018. The Group's gross profit margin for the year ended 31 December 2018 increased by approximately 3.0 percentage points as compared with the year ended 31 December 2017 due to the Group having ceased the production of the majority of low margin products items.

For the year ended 31 December 2018, the Group recorded a net loss of RMB179.6 million, a decrease of approximately 37.9% from the net loss of RMB289.4 million in the same period last year.

REVENUE

Revenue of the Group decreased by approximately 44.3% to RMB502.8 million for the year ended 31 December 2018 when compared with the year ended 31 December 2017. During the year ended 31 December 2018, the Group had ceased the production of the majority of low margin product items with a view to enhancing the Group's overall profitability. However, the sales performance of the higher margin products had not fully filled up the gap left by those low margin products. In addition, sales of the Group's snacks products were also negatively affected by the poor consumer sentiment of the snack products in the PRC during the year ended 31 December 2018. As at 31 December 2018, the Group had a total number of 693 distributors (As at 31 December 2017: 576).

Jelly products

Revenue generated from sales of jelly products of the Group decreased by approximately 40.3% from RMB599.2 million for the year ended 31 December 2017 to RMB357.8 million for the year ended 31 December 2018, primarily due to the Group having ceased the production of certain low margin jelly product items during the year ended 31 December 2018 which has temporary negative impact on sales of jelly products. However, the sales performance of the higher margin jelly products had not fully filled up the gap left by those low margin products. In addition, sales of jelly products were also negatively affected by the poor consumer sentiment of the snack products in the PRC during the year ended 31 December 2018. During the year ended 31 December 2018, revenue attributable to jelly snacks decreased by approximately 43.8% to RMB204.2 million while sales attributable to jelly beverages decreased by approximately 34.9% to RMB153.6 million.

Confectionary products

Revenue generated from sales of confectionary products of the Group also recorded a decline during the year ended 31 December 2018. Sales of confectionary products decreased by approximately 30.4% from RMB165.7 million for the year ended 31 December 2017 to RMB115.4 million for the year ended 31 December 2018. The decrease was mainly due to the Group having ceased the production of certain low margin confectionary product items during the year ended 31 December 2018 which has temporary negative impact on sales of confectionary products. In addition, there were fewer orders placed by overseas customers during the year ended 31 December 2018 which affected both the revenue and profit margin of the Group's confectionary products.

Beverage products

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue generated from sales of beverages products of the Group decreased by approximately 64.8% from RMB73.6 million for the year ended 31 December 2017 to RMB25.9 million for the year ended 31 December 2018. Although there was a decrease in sales of beverages products during the year ended 31 December 2018, the gross profit margin of the segment has improved significantly from 9.6% for the year ended 31 December 2017 to 20.7% for the year ended 31 December 2018. Improvement in gross profit margin was mainly due to the Group's effort made in the last couple of years to adjust the product mix of the beverages segment which begin to materialize.

In the last couple of years, the Group launched the fruit and vegetable beverages as the customers have become more health conscious. The Group will continue to launch new beverages products with an objective to meet the needs of different customers. Whilst the Company remains confident that the Group's beverages products are of decent quality, it is uncertain whether these products will be well perceived by the market and whether it will bring decent financial contribution to the Group.

Other snacks products

Revenue generated from sales of other snacks products dropped by approximately 94.4% from RMB64.3 million for the year ended 31 December 2017 to RMB3.6 million for the year ended 31 December 2018. Other snacks products include cakes, breads, bean curd products, milk tea and etc., which are of low or negative profit margin as the sales volume of these products had not reached the economy of scale in the recent years. With a view to improving its profitability, the Group has ceased the production of the majority of these low margin snacks product items and therefore, the sales of these products dropped significantly during the year ended 31 December 2018.

COST OF SALES AND GROSS PROFIT

Cost of sales decreased by approximately 46.4% from RMB699.6 million for the year ended 31 December 2017 to RMB374.7 million for the year ended 31 December 2018. The decrease in cost of sales was mainly attributable to the corresponding decrease in revenue due to the reasons mentioned above. Gross profit margin improved by approximately 3.0 percentage points to 25.5% from 22.5% for the year ended 31 December 2017 which was mainly due to the Group having ceased the production of the majority of low margin product items with a view to enhancing the Group's overall profitability.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 63.1% from RMB233.7 million for the year ended 31 December 2017 to RMB86.3 million for the year ended 31 December 2018 primarily due to the Group having ceased to make advertisement through sponsoring popular TV programs during the year ended 31 December 2018 as the directors of the Company (the "Directors") considered that it was not the most cost effective way to promote the Group's products under current market situation. Instead, the Group put more effort in launching advertisement in other media channels during the year ended 31 December 2018. For example, participating in various food fairs and exhibitions, collaborating with distributors and retailers for on-site promotion activities and launching advertisement in new electronic media. As a result of the changes in advertising strategy, advertising and promotion expenses decreased by approximately 78.1% to RMB37.4 million during the year ended 31 December 2018.

The general market demand for the Group's products has remained weak. While the Group will continue to exercise tight costs control on advertising and promotion expenses, the Group will continue to enhance its media exposure and arrange 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 decreased by approximately 0.3% from RMB99.2 million for the year ended 31 December 2017 to RMB98.9 million for the year ended 31 December 2018.

OTHER LOSSES

Balance of other losses represents the net effect of loss on disposal of property, plant and equipment and net exchange gain. During the year ended 31 December 2017, the Group had disposed of the property, plant and equipment in relation to a Tetra Pak beverages production line in Anhui production plant due to the Group's decision in ceasing the production of such packaging products and as a result, a loss on disposal of the property, plant and equipment of the Tetra Pak beverages production line of approximately RMB80.0 million was recorded. During the year ended 31 December 2018, no such significant disposal was made by the Group.

INCOME TAX EXPENSE

The credit amount of the Group's income tax expense during the year ended 31 December 2018 was mainly due to the deferred tax assets recognized for the tax losses of the Group's subsidiaries in the PRC.

NET LOSS FOR THE YEAR

The Group recorded a net loss of RMB179.6 million for the year ended 31 December 2018 (2017: RMB289.4 million). The decrease in net loss was primarily attributable to there was no provision for impairment of property, plant and equipment required for the year ended 31 December 2018 while there was RMB94.5 million of provision for impairment of property, plant and equipment recognized for the year ended 31 December 2017.

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 31 December 2018, the cash and bank balances amounted to RMB25.5 million which was RMB47.3 million less than the balance as at 31 December 2017. The decrease in cash and bank balances was mainly due to repayment of bank borrowings. The bank borrowings of the Group decreased by RMB74.9 million during the year ended 31 December 2018.

As at 31 December 2018, the Group's gearing ratio (total borrowings divided by total equity) was 106.1% (as at 31 December 2017: 92.1%). 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 inflow from operating activities of RMB88.9 million for the year ended 31 December 2018 (2017: net cash outflow of RMB68.5 million). The Group has spent RMB1.8 million in investing activities for the year ended 31 December 2018 mainly for the upgrade of production lines of the production plants. The Group has net cash outflow from financing activities of RMB134.5 million for the year ended 31 December 2018 which was mainly due to repayment of matured bank borrowings and payment of interest expenses.

Capital expenditure

During the year ended 31 December 2018, the Group incurred RMB14.7 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 and beverage products, as well as raw materials and packaging materials. As at 31 December 2018, the balance decreased by RMB10.5 million from the beginning of the year. The inventories turnover days for the years ended 31 December 2018 and 2017 were 65 days and 41 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors. The Group typically sells its products on credit and grants 180 days of credit period to most of the wholesale distributors. The balance decreased by RMB79.7 million from the beginning of the year mainly due to decrease in sales in December 2018 than in the corresponding period of 2017. The trade receivables turnover days for the years ended 31 December 2018 and 2017 were 152 days and 103 days, respectively. Subsequent to the year ended 31 December 2018 and up to the date of this announcement, approximately RMB125.5 million of the trade receivables as at 31 December 2018 were settled by the wholesale distributors.

Entrusted 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 (the "Lending Bank"), and an independent PRC third party entity (the "Borrower"), pursuant to which the Lender, agreed to grant the entrusted loan in the principal amount of RMB250 million (the "Entrusted Loan") to the Borrower (the "Entrusted Loan Agreement"). The purpose of granting the Entrusted Loan by the Group was to better utilize the surplus cash of the Group under a short-term arrangement to generate higher interest income.

The Entrusted Loan is secured by (i) a personal guarantee of RMB250 million provided by a controlling shareholder of the Borrower; (ii) a corporate guarantee of RMB228.8 million given by a fellow subsidiary of the Borrower; and (iii) certain land parcels in the PRC valued at RMB30.3 million, as security to the obligations of the Borrower under the Entrusted Loan Agreement. The Entrusted Loan has a term of one year and bearing interest at 0.5% per month.

As at 31 December 2018, the Borrower has drawn up an aggregate amount of RMB220 million of the Entrusted Loan with interests accrued in the amount of approximately RMB1.1 million (the "Outstanding Amounts"). The Entrusted Loan matured and shall be repaid by the Borrower on 18 June 2016. However, up to the date of this announcement, the Borrower has not repaid the Outstanding Amounts.

On 10 March 2017, the Lending Bank initiated a legal proceeding (the "Legal Proceeding") with the Quanzhou Intermediate People's Court in the People's Republic of China (the "Quanzhou Court") against the Borrower as well as its fellow subsidiary and its controlling shareholder (i.e. Mr. Hong) (collectively, the "Defendants"). On 29 March 2018, the Quanzhou Court published a judgement to order the Borrower to (a) repay the principal amount of the Entrusted Loan in the amount of RMB220 million; (b) pay the interests (including penalty interests and compound interests) of RMB30.2 million; (c) pay the interests (including penalty interests and compound interests) to be accrued for the period from 14 November 2017 up till the date of actual repayment; and (d) pay the legal fee of RMB500,000.

If the Borrower failed to fulfill the court order stated above, the Lending Bank can force the sales of the assets (i.e. the land situated in Luojiang District, Quanzhou City, Fujian Province) charged by the Borrower to the Lending Bank pursuant to the Entrusted Loan Agreement. The Lending Bank has the priority on RMB30.31 million of the sales proceeds. In addition, the fellow subsidiary of the Borrower (being the entity which provided the corporate guarantee as security for the Entrusted Loan) and Mr. Hong (the controlling shareholder of the Borrower and who provided the personal guarantee as security for the Entrusted Loan) are jointly liable for the repayment obligation under the Entrusted Loan Agreement in the maximum amount of RMB250.0 million.

Up to the date of this announcement, the Borrower did not fulfill the court order and the Lending Bank is taking actions to force the sales of the assets charged by the Borrower pursuant to the Entrusted Loan Agreement.

Based on the best estimate taking into account all the relevant information currently available to the Company, the Company anticipates that the recoverable amount for the Entrusted Loan would be approximately RMB21.4 million and an impairment of approximately RMB107.1 million has been provided in the consolidated financial statements of the Group for the year ended 31 December 2018.

For further details, please refer to the announcements of the Company dated 9 August 2016, 18 August 2016 and 10 March 2017, respectively.

Trade payables

Trade payables mainly represent the balances due to the Group's suppliers who generally grant credit terms ranging from 30 days and 60 days to the Group. Trade payables turnover days for the years ended 31 December 2018 and 2017 were 304 days and 152 days respectively. Increase in trade payable turnover days was mainly due to the Group used more bank bills, which were mainly with maturity period of one year, for settlement of trade payables.

Bill payables

As at 31 December 2018, bills payable of the Group amounting to RMB127.3 million were secured by pledged bank deposits of RMB65.0 million. As at 31 December 2018, the bills payable were with maturity period within 1 year.

Foreign exchange fluctuations

The Group's sales, costs and expenses are mainly denominated 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 2018, the Group did not enter into forward contracts to hedge the foreign exchange exposures as the Directors considered that the financial benefits of such forward contracts may not outweigh their costs. The Company will continue to monitor foreign exchange fluctuations to best preserve the Group's cash value.

Charges on assets

As at 31 December 2018, land and building of the Group in Hong Kong with net book value of RMB7.0 million were pledged as security for a mortgage loan (31 December 2017: RMB7.5 million).

Contingent liabilities

As at 31 December 2018, the Group had no contingent liabilities (31 December 2017: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 1,490 employees (including part-time employees) (2017: 1,940 employees) and the total remuneration expenses for the year ended 31 December 2018 amounted to RMB91.9 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.

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 2018.

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

There were no significant investments, material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2018 (2017: Nil). 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 2018, the market demand for the Group's products remained weak. The sales of the Group's products remained at a low level as compared to the previous years. Moreover, the purchase costs of certain major raw materials continued to hike during the year ended 31 December 2018 which erode the overall profit margin of the Group.

To cope with this difficult market situation, during the year ended 31 December 2018, the Group decided to cease the production of the majority of its low margin product items to improve the overall profitability of the Group. In addition, the Group also ceased to make advertisement through sponsoring popular TV programs during the year ended 31 December 2018 as the Directors considered that it was not the most cost effective way to promote the Group's products under current market situation. Instead, the Group put more effort in launching advertisement in other media channels during the year ended 31 December 2018. For example, participating in various food fairs and exhibitions, collaborating with distributors and retailers for on-site promotion activities and launching advertisement in new electronic media.

The Group expects the snacks food industry of the PRC will undergo a market consolidation in the coming years and the operating environment of the snack food industry will remain challenging in the medium term. Under this challenging market environment, the Group will remain proactive in marketing its brand image and products through launching advertisement in various media channels in particular new electronic media. The Group will also proactively seek the opportunities to dispose of its non-core assets to improve its liquidity and capital structure.

The Group believes the measures mentioned above are to the benefit of the Group's business in longer term. The Group believes that the PRC economy will regain its growth momentum in the medium term and snacks food industry will definitely benefit from the economic growth in due course.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in compliance with Rule 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Yau Tong (chairman), Mr. Li Zhi Hai and Ms. Sun Kam Ching. The Audit Committee has reviewed with management and the Group's auditor the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 December 2018. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagements, or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by HLB on the preliminary announcement.

The audited consolidated financial statements of the Group for the year ended 31 December 2018 set out in the 2018 Annual Report of the Company will be an unqualified audit opinion.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting stringent corporate governance practices and procedures with a view to safeguarding the interests of its shareholders and enhancing investor confidence and the Company's accountability and transparency. The Company set out its corporate governance practices by making reference to the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2018, 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 2018.

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 to 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 ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Company for the year ended 31 December 2018 is published on the website of the Company at www.lbxxgroup.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2018 will be dispatched to shareholders and available at the same websites in due course.

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

Hong Kong, 31 March 2019

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

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