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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Labixiaoxin Snacks Group Limited (the "Company" and together with its subsidiaries, the "Group") dated 31 March 2020 in connection with the unaudited annual results for the year ended 31 December 2019 (the "Unaudited Annual Results Announcement"). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	Change
	RMB' million	*RMB' million*	+/(-)%
Key income statement items			
Revenue	**466.6**	502.8	–7.2%
Gross Profit	**139.0**	128.1	+8.5%
EBITDA[1]	**52.5**	31.3	+67.7%
Loss for the year	**(170.1)**	(179.6)	–5.3%
Key performance indicators			
Gross profit margin	**29.8%**	25.5%	+4.3%pts
EBITDA margin	**11.3%**	6.2%	+5.1%pts
Net loss margin	**–36.5%**	–35.7%	–0.8%pts
Return on equity[2]	**–28.2%**	–22.5%	–5.7%pts
Loss per share			
– Basic	**RMB(0.13)**	RMB(0.14)	–7.1%
– Diluted	**RMB(0.13)**	RMB(0.14)	–7.1%

1. EBITDA refers to profit/(loss) before interests, income tax, depreciation, amortisation, reversal of credit losses on trade receivables net, written-off of property, plant and equipment, reversal/(provision) of impairment loss on loan receivable and loss on the remeasurement of asset classified as held for sale.

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

AUDITOR'S AGREEMENT ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") is pleased to announce that the Company's auditor, HLB Hodgson Impey Cheng Limited, has completed its audit of the annual results of the Group for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, including the financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes as set out thereto. The audited annual results for the year ended 31 December 2019 were reviewed by the Audit Committee and were approved by the Board both on 15 May 2020, details of which are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	3	**466,570**	502,802
Cost of sales		**(327,565)**	(374,683)
Gross profit		**139,005**	128,119
Other income	4	**16,819**	25,909
Other gain/(losses), net	5	**444**	(10,213)
Reversal/(provision) of impairment loss on loan receivable	12	**28,528**	(107,100)
Loss on the remeasurement of asset classified as held for sale	13	**(46,690)**	–
Written-off of property, plant and equipment		**(67,252)**	–
Selling and distribution expenses		**(74,637)**	(86,267)
Administrative expenses		**(106,383)**	(98,908)
Operating loss		**(110,166)**	(148,460)
Finance income		**676**	1,385
Finance costs		**(43,774)**	(44,826)
Finance costs, net	6	**(43,098)**	(43,441)
Loss before taxation	7	**(153,264)**	(191,901)
Taxation	8	**(16,846)**	12,307
Loss and total comprehensive loss for the year		**(170,110)**	(179,594)
Loss per share attributable to equity holders of the Company (RMB per share)	9		
– Basic		**(0.13)**	(0.14)
– Diluted		**(0.13)**	(0.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		**127,710**	–
Land use rights		**–**	131,026
Property, plant and equipment		**505,644**	865,994
Deposits for property, plant and equipment		**43,508**	42,437
Deferred income tax assets		**110,275**	130,490
		787,137	1,169,947
Current assets			
Inventories		**43,146**	53,463
Trade receivables	*11*	**244,549**	226,228
Prepayments and other receivables		**135,921**	132,843
Loan receivable	*12*	**–**	21,400
Pledged bank deposits		**70,270**	64,959
Cash and cash equivalents		**24,833**	25,507
		518,719	524,400
Asset classified as held for sale	*13*	**180,000**	–
		698,719	524,400
Total assets		**1,485,856**	1,694,347
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**470,030**	470,030
Reserves		**27,217**	197,327
Total equity		**497,247**	667,357

	Notes	2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**15,864**	19,233
		15,864	19,233
Current liabilities			
Trade and other payables	*14*	**347,855**	299,368
Bank borrowings		**624,890**	708,389
		972,745	1,007,757
Total liabilities		**988,609**	1,026,990
Total equity and liabilities		**1,485,856**	1,694,347
Net current liabilities		**(274,026)**	(483,357)
Total assets less current liabilities		**513,111**	686,590

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 IFRS 16 (since 1 January 2019) or IAS 17 (before the application of IFRS 16), 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 consolidated 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 RMB170,110,000 (2018: approximately RMB179,594,000) for the year ended 31 December 2019. As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately RMB274,026,000 (2018: approximately RMB483,357,000).

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 31 December 2019. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(1) Financial support from substantial shareholder

Mr. Zheng Yu Long, the substantial shareholder of the Company who have already provided the aggregate amount of approximately RMB38,911,000 loan from a loan facility of RMB50,000,000 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 31 December 2019.

(2) Completion of the disposal of the land

The Group is in the process of completion of the disposal of the land located at Jinjian Food Industrial Park（晉江市食品產業園）with a total site area of approximately 126,981 square meters together with the buildings thereon with an aggregate site area of approximately 148,271 square meters. For further details, please refer to Notes 13 and 15.

(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 amendments to international financial reporting standards ("IFRSs")

Application of new and amendments to IFRSs – effective on 1 January 2019

In the current year, the Group has applied, for the first time, the following new and amendments to the IFRSs (the "new and amendment to IFRSs") issued by the International Accounting Standards Board (the "IASB"), which are effective for the Group's financial year beginning from 1 January 2019. A summary of the new and amendments to IFRSs applied by the Group is set out as follows:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to 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 amendments to 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.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessor

The adoption of IFRS 16 did not have any impact on the Group's assets held as lessor under operating leases.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 31 December 2018, the Group had no any non-cancellable operating lease commitments, therefore, the application of IFRS 16 would not have any impact on opening balance of equity at 1 January 2019, except for the following table summarises the impact of transition of IFRS 16 at 1 January 2019.

Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:	**Carrying amounts previously reported as at 31 December 2018**	**Reclassification**	**Carrying amounts under IFRS 16 as at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Land use rights	131,026	(131,026)	–
Right-of-use assets	–	131,026	131,026

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

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

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

2 *Effective for business combinations and asset acquisitions 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 a date to be determined.*

4 *Effective for annual periods beginning on or after 1 January 2020.*

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of new and amendments to IFRSs will have no material impact on the Group's financial performance and financial position.

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 audited consolidated financial statements. The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade receivables and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company's executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

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

During the years ended 31 December 2019 and 2018, none of the individual customer accounted for 10% or more of the Group's external revenue. As at 31 December 2019 and 2018, majority of the Group's assets, liabilities and capital expenditure were located or utilised in the PRC.

Segment revenue and results

	Year ended 31 December 2019				
	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	**349,241**	**105,669**	**7,798**	**3,862**	**466,570**
Cost of sales	**(248,045)**	**(69,216)**	**(7,788)**	**(2,516)**	**(327,565)**
Gross profit	**101,196**	**36,453**	**10**	**1,346**	**139,005**
Results of reportable segments	**(22,278)**	**19,885**	**(1,256)**	**765**	**(2,884)**

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:

	2019 *RMB'000*
Results of reportable segments	**(2,884)**
Corporate income	**17,263**
Reversal of impairment loss on loan receivable	**28,528**
Loss on the remeasurement of asset classified as held for sale	**(46,690)**
Corporate expenses	**(106,383)**
Operating loss	**(110,166)**
Finance income	**676**
Finance costs	**(43,774)**
Loss before taxation	**(153,264)**
Taxation	**(16,846)**
Loss for the year	**(170,110)**

Amounts included in the measure of segment profit or loss:

	Year ended 31 December 2019				
	Jelly products *RMB'000*	**Confectionary products** *RMB'000*	**Beverages products** *RMB'000*	**Other snacks products** *RMB'000*	**Reportable segments total** *RMB'000*
Capital expenditure	**7,933**	**–**	**3,111**	**–**	**11,044**
Depreciation of right-of-use assets	**2,381**	**–**	**935**	**–**	**3,316**
Depreciation of property, plant and equipment	**69,145**	**–**	**5,116**	**87**	**74,348**
Gain on disposal of property, plant and equipment	**(403)**	**–**	**–**	**–**	**(403)**
Written-off of property, plant and equipment	**67,252**	**–**	**–**	**–**	**67,252**
Reversal of credit losses on trade receivables	**(368)**	**–**	**(7)**	**–**	**(375)**

	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	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:

	2018
	RMB'000
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:

	Year ended 31 December 2018				
	Jelly products	Confectionary products	Beverages products	Other snacks products	Reportable segments total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure	13,702	–	962	–	14,664
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)

Geographical information

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

4 Other income

	2019	2018
	RMB'000	*RMB'000*
Rental income	**8,465**	9,237
Sundry income	**2,653**	5,315
Gain on sales of raw materials and scrap materials	**5,701**	11,357
	16,819	25,909

5 Other gain/(losses), net

	2019	2018
	RMB'000	*RMB'000*
Gain/(loss) on disposal of property, plant and equipment	**403**	(10,338)
Net exchange gain	**41**	125
	444	(10,213)

6 Finance costs, net

	2019	2018
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank borrowings	**(40,006)**	(44,332)
Interest expenses on loan from a director	**(692)**	(494)
Interest expenses on loan from an independent third party	**(3,076)**	–
Total finance cost	**(43,774)**	(44,826)
Finance income:		
Interest income on bank deposits	**676**	1,385
Total finance income	**676**	1,385
Finance costs, net	**(43,098)**	(43,441)

7 Loss before taxation

	2019	2018
	RMB'000	*RMB'000*
Auditors' remuneration		
– Audit service	**2,081**	1,989
– Non-audit service	**357**	357
Staff costs (including directors' remuneration)		
– Salaries and bonuses	**71,127**	85,962
– Employer's contribution to defined contribution plans	**4,635**	5,943
Advertising and promotion expenses	**34,671**	37,399
Amortisation of land use rights	**–**	3,316
Depreciation of right-of-use assets	**3,316**	–
Depreciation of property, plant and equipment	**74,348**	69,692
(Gain)/loss on disposal of property, plant and equipment	**(403)**	10,338
(Reversal of impairment loss)/impairment loss on loan receivable	**(28,528)**	107,100
Reversal of credit losses on trade receivables, net	**(375)**	(390)
Cost of inventory sold	**196,572**	228,556
Written-off of property, plant and equipment	**67,252**	–
Loss on the remeasurement of asset classified as held for sale	**46,690**	–
Freight and transportation expenses	**2,367**	1,169

8 Taxation

	2019	2018
	RMB'000	*RMB'000*
Current income tax – PRC Enterprise Income Tax	**–**	–
Deferred income tax, net	**16,846**	(12,307)
	16,846	(12,307)

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 2019 (2018: Nil).

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at the rate of 25% (2018: 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 2019 (2018: 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.

	2019	2018
Net loss attributable to the equity holders of the Company *(RMB'000)*	**(170,110)**	(179,594)
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)*	**(0.13)**	(0.14)

(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 board of directors of the Company has resolved not to declare a dividend for the year ended 31 December 2019 (2018: nil).

11 Trade receivables

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**248,172**	230,226
Less: Allowance for credit losses	**(3,623)**	(3,998)
	244,549	226,228

For the year ended 31 December 2019, the Group's revenue are generally on credit term of 180 days (2018: 180 days). As at 31 December 2019, the ageing analysis of trade receivables, based on invoice date, and net of allowance for credit losses, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Less than 30 days	**52,265**	69,552
31 days – 90 days	**55,884**	48,764
Over 90 days	**136,400**	107,912
	244,549	226,228

Included in the above allowance for credit losses on trade receivables is RMB3,623,000 (2018: RMB3,998,000). The individually impaired trade receivable relate to consumers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The carrying amounts of trade receivables approximate their fair values.

12 Loan receivable

On 19 June 2015, a wholly-owned subsidiary of the Group ("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.

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) legal fee of RMB500,000.

As the Borrower failed to fulfill the court order stated above, the Lending Bank had forced sales of the assets (i.e. the land situated in Luojiang District, Quanzhou City, Fujian Province) ("Pledged Assets") charged by the Borrower to the Lending Bank pursuant to the Entrusted Loan Agreement. During the year ended 31 December 2019, a reversal of impairment of loan receivable of RMB28,528,000 was recognised due to those Pledged Assets were sold and the loan receivable was recovered of approximately RMB49,928,000.

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

13 Asset classified as held for sale

On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the "Vendor") and an independent third party (the "Purchaser") entered into the transfer agreement (the "Transfer Agreement"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the land use right located in Jinjiang Food Industrial Park in Jinjiang City, Fujian Province, the PRC (the "FJ Land Right") for a consideration of RMB180,000,000. Pursuant to the Transfer Agreement, both the Vendor and the Purchaser will liaise with Fujian Jinjiang Industrial Park Construction and Development Company Limited (the "Jinjiang Construction"), a company controlled by Jinjiang City People's Government, regarding the transfer of the FJ Land Right. The Vendor will arrange for the termination of the FJ Land Right with Jinjiang Construction and the Purchaser will enter into an agreement with Jinjiang Construction regarding the new pre-registration contractual right to acquire the FJ Land Right. For more details, please refer to the announcement dated 15 May 2019. The loss on the remeasurement of asset classified as held for sale of RMB46,690,000 has been recognised during the year ended 31 December 2019.

14 Trade and other payables

Included in the trade and other payable, as of the end of the reporting year the trade payable were RMB19,593,000 (2018: RMB27,407,000)

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

	2019	2018
	RMB'000	*RMB'000*
Less than 30 days	**15,023**	20,033
31 days – 90 days	**2,637**	6,636
Over 90 days	**1,933**	738
	19,593	27,407

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

15 Events after the reporting period

Major transaction further extension of long stop date

On 15 May 2020, the Fujian Jinjiang Ou Dian Supply Chain Management Company Limited ("Purchaser") and the Labixiaoxin (Fujian) Food Stuff Industry Co., Ltd., an indirect whollyowned subsidiary of the Company ("Vendor") entered into the third supplemental agreement (the "Third Supplemental Agreement") to the transfer agreement (as amended and supplemented by the first supplemental agreement and the second supplemental agreement), pursuant to which, (i) the Long Stop Date shall be further extended to 31 December 2020 (or such other date as may be agreed between the Purchaser and the Vendor in writing); (ii) in addition to the RMB40 million deposit paid by the Purchaser to the Vendor in accordance with the terms of the transfer agreement (as supplemented by the first supplemental agreement and the second supplemental agreement), the Purchaser shall pay an additional deposit in an amount of RMB30 million to the Vendor on or before 30 June 2020; and (iii) the amount payable by the Purchaser to the Vendor within seven (7) Business Days after the approval(s) having been obtained from the competent government authority(ies) in relation to the transfer of the FJ Land Right from the Vendor to the Purchaser shall be reduced from HK$60 million to HK$30 million. Save as disclosed above, all the other terms and conditions of the transfer agreement (as amended and supplemented by the first supplemental agreement and second supplemental agreement) remain unchanged and shall continue in full force and effect. For more detail, please refer to the announcement date on 15 May 2020.

On 14 February 2020, the Purchaser and the Vendor entered into the second supplemental agreement (the "Second Supplemental Agreement") to the transfer agreement (as amended and supplemented by the first supplemental agreement), pursuant to which, (i) the long stop date shall be further extended to 15 May 2020 (or such other date as may be agreed between the Purchaser and the Vendor in writing); (ii) in addition to the RMB10 million deposit paid by the Purchaser to the Vendor in accordance with the terms of the transfer agreement, the Purchaser shall pay an additional deposit in an amount of RMB30 million to the Vendor on or before 15 March 2020; and (iii) the amount paid by the Purchaser to the Vendor within seven (7) Business Days after the approval(s) having been obtained from the competent government authority(ies) in relation to the transfer of the FJ Land Right from the Vendor to the Purchaser shall be reduced from RMB90 million to RMB60 million. Save as disclosed above, all the other terms and conditions of the transfer agreement remain unchanged and shall continue in full force and effect. For more detail, please refer to the announcement date on 14 February 2020.

Outbreak on Coronavirus Disease

Since January 2020, the outbreak on Coronavirus Disease ("COVID-19") has impacted the global business environment. Pending the development and spread of COVID-19 at the end of reporting date, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these audited result announcement. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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 2019:

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 2019 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 RMB170,110,000 during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB274,026,000. 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.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with HLB Hodgson Impey Cheng Limited as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Item for the year ended 31 December 2019	**Disclosure in this further announcement** *RMB'000*	**Disclosure in the Unaudited Annual Results Announcement** *RMB'000*	**Difference** *RMB'000*	*Notes*
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Taxation	(16,846)	(15,176)	(1,670)	*1*
Finance costs	(43,774)	(40,698)	(3,076)	*2*
Consolidated Statement of Financial Position				
Deferred income tax assets	110,275	115,314	(5,039)	*1*
Deferred income tax liabilities	15,864	19,233	(3,369)	*1*
Trade and other payables	347,855	344,779	3,076	*2*
Reserves	27,217	31,963	(4,746)	*1, 2*

Notes:

1. Deferred income tax adjustments corresponding to derecognition of withholding income tax and tax losses previously recognised.

2. Accrual for interest expenses according to a loan agreement.

Save as disclosed in this further announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above material differences, there are no material changes to the information contained in the Unaudited Annual Results Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2019, the Company has reported revenue of approximately RMB466.6 million, representing a decrease of approximately 7.2% as compared with the corresponding period of the year ended 31 December 2018 (the "Year 2018"). The decrease in the reported revenue was mainly due to poor consumer sentiment of snacks 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 products items since Year 2018 with a view to enhancing the Group's overall profitability. Although this measure had improved the gross profit margin ratio of the Group, it had also imposed a negative pressure on the Group's revenue during the year under review. The Group's gross profit margin for the year ended 31 December 2019 increased by approximately 4.3 percentage points as compared with Year 2018 due to the Group having ceased the production of the majority of low margin products items.

For the year ended 31 December 2019, the Group recorded a net loss of RMB170.1 million, a decrease of approximately 5.3% from the net loss of RMB179.6 million in last year.

REVENUE

Revenue of the Group decreased by approximately 7.2% to RMB466.6 million for the year ended 31 December 2019 when compared with the corresponding period in Year 2018. The Group having ceased the production of the majority of low margin products items since Year 2018 with a view to enhancing the Group's overall profitability. However, the sales performance of the higher margin products during the year under review had not fully fill up the gap left by those low margin products. In addition, sales of the Group's snacks products was also negatively affected by the poor consumer sentiment of snacks products in the PRC during the year under review. As at 31 December 2019, the Group had a total number of 544 distributors (As at 31 December 2018: 693).

Jelly products

Revenue of jelly products decreased by approximately 2.4% from RMB357.8 million for the Year 2018 to RMB349.2 million for the year ended 31 December 2019, primarily due to the Group having ceased the production of certain low margin jelly product items which has negative impact on sales of jelly products. However, the sales performance of the higher margin jelly products had not fully fill up the gap left by those low margin products. In addition, sales of jelly products was also negatively affected by the poor consumer sentiment of snacks products in the PRC during the year under review. During the year ended 31 December 2019, out of all jelly products, revenue attributable to jelly snacks increased by approximately 11.2% to RMB227.0 million while sales attributable to jelly beverages decreased by approximately 20.4% to RMB122.2 million.

Confectionary products

Confectionary products also recorded a decline in revenue during the year ended 31 December 2019. Sales of confectionary products decreased by approximately 8.4% from RMB115.4 million for the year ended 31 December 2018 to RMB105.7 million for the year ended 31 December 2019. The decrease was mainly due to a decrease of orders received from overseas customers during the year under review.

Beverage products

Revenue of beverages products of the Group decreased by approximately 69.9% to RMB7.8 million during the year ended 31 December 2019. The decrease was primarily due to the Group having ceased the production of the majority of low margin beverages product items.

Other snacks products

For the year ended 31 December 2019, revenue of other snacks products increased by approximately 8.3% to RMB3.9 million as compared to RMB3.6 million for Year 2018. Other snacks products includes cakes, breads, bean curd products, egg rolls etc.. Increase in sales of other snacks products was mainly due to increase in sales of bean curd products during the year ended 31 December 2019.

COST OF SALES AND GROSS PROFIT

Cost of sales decreased by approximately 12.6% to RMB327.6 million for the year ended 31 December 2019 as compared to RMB374.7 million for the Year 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 4.3 percentage points to 29.8% from 25.5% for the year ended 31 December 2018 which was mainly due to the Group having ceased the production of the majority of low margin products items since Year 2018 with a view to enhancing the Group's overall profitability.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 13.6% to RMB74.6 million for the year ended 31 December 2019 primarily due to decrease in sales and tight costs control on advertising and promotion expenses during the year under review. Advertising and promotion expenses decreased by approximately 7.2% to RMB34.7 million during the year under review.

The general market demand for the Group's products has remained weak. In addition, the outbreak of the COVID-19 since the last quarter of 2019 is also expected to have negative impact on the Group's sales performance for the year ending 31 December 2020. While the Group will continue to exercise tight costs control on advertising and promotion expenses on the one hand, the Group will on another hand 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 in a long run.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately 7.6% from RMB98.9 million for Year 2018 to RMB106.4 million for the year ended 31 December 2019, which was mainly due to expenses incurred for closure of the Tianjin plant.

WRITTEN-OFF OF PROPERTY, PLANT AND EQUIPMENT

With a view to better utilizing the Group's production capacity and reduce operational costs, the Group moved the production facilities in its Tianjin plant to its Fujian and Anhui plants during the second half of the year 2019. The surplus machineries were disposed or written-off and a loss on written-off of property, plant and equipment of RMB67.3 million was recorded for the year ended 31 December 2019. This restructuring of production capacity has no significant negative impact on the Group's operations as the Group still have three production plants at Fujian, Anhui and Sichuan respectively which provide sufficient production capacity to meet the demands of its customers.

INCOME TAX EXPENSE

The debit amount of the Group's income tax expense during the year under review was mainly due to the reversal of 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 RMB170.1 million for the year ended 31 December 2019 (2018: RMB179.6 million). The decrease in net loss was primarily attributable to improvement in gross profit margin of the Group's products due to the reasons stated above.

FINANCIAL REVIEW

Financial resources and liquidity

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

As at 31 December 2019, the cash and bank balances amounted to RMB24.8 million (as at 31 December 2018: RMB25.5 million). The decrease in cash and bank balances was mainly due to repayment of bank borrowings offset by net cash inflow from operations and loan receivable recovered during the year ended 31 December 2019. The bank borrowings of the Group decreased by RMB83.5 million during the year ended 31 December 2019.

As at 31 December 2019, the Group's gearing ratio (total borrowings divided by total equity) was 141.9% (As at 31 December 2018: 110.6%). The Group maintained sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group recorded net cash inflow from operating activities of RMB35.0 million for the year ended 31 December 2019 (2018: RMB88.9 million). The Group has spent RMB11.0 million in investing activities for the year ended 31 December 2019 mainly for the upgrade of production lines of the production plants. The Group has net cash outflow from financing activities of RMB72.3 million for the year ended 31 December 2019 which was mainly due to repayment of matured bank borrowings and payment of interest expenses.

Capital expenditure

During the year ended 31 December 2019, the Group incurred RMB11.0 million (2018: 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, beverage products and other snacks products, as well as raw materials and packaging materials. As at 31 December 2019, the balance decreased by RMB10.3 million from the beginning of the year. The inventories turnover days for the years ended 31 December 2019 and 2018 were 63 days and 65 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors. The Group typically sells its products on credit and grant 180 days credit to most of the wholesale distributors. The balance increased by RMB18.3 million from the beginning of the year mainly due to increase in sales in the last quarter of 2019 than in the corresponding period of Year 2018. The increase in balance of trade receivables was mainly due to an increase in delivery of orders during the last quarter of 2019 in light of the Lunar Chinese New Year in January 2020 being earlier than most other years. The trade receivable turnover days for the years ended 31 December 2019 and 2018 were 168 days and 152 days, respectively. Subsequent to the year ended 31 December 2019 and up to the date of this announcement, approximately RMB105.6 million of the trade receivables 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 (the "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. At the time of granting the Entrusted Loan, it was the then objective of the Group 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.

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) legal fee of RMB500,000.

As the Borrower failed to fulfill the court order stated above, the Lending Bank had forced 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 and approximately RMB49,928,000 was recovered by the Group and a reversal of impairment loss of RMB28,528,000 was recognised during the year ended 31 December 2019.

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

Asset classified as held for sale

On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the "Vendor") and an independent third party (the "Purchaser") entered into the transfer agreement (the "Transfer Agreement"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the land use right located in Jinjiang Food Industrial Park in Jinjiang City, Fujian Province, the PRC (the "FJ Land Right") for a consideration of RMB180,000,000. Pursuant to the Transfer Agreement, both the Vendor and the Purchaser will liaise with Fujian Jinjiang Industrial Park Construction and Development Company Limited (the "Jinjiang Construction"), a company controlled by Jinjiang City People's Government, regarding the transfer of the FJ Land Right. The Vendor will arrange for the termination of the FJ Land Right with Jinjiang Construction and the Purchaser will enter into an agreement with Jinjiang Construction regarding the new pre-registration contractual right to acquire the FJ Land Right. For more details, please refer to the announcement dated 15 May 2019. The loss on the remeasurement of asset classified as held for sale of RMB46,690,000 has been recognised during the year ended 31 December 2019.

Trade payables and bills payable

Trade payables mainly represent the balances due to the Group's suppliers who generally grant credit terms ranging from 30 days to 60 days to the Group. The Group also used bank bills to settle trade payables. As at 31 December 2019, bills payable of the Group amounting to RMB132.5 million were secured by pledged bank deposits of RMB70.3 million. As at 31 December 2019, the bills payable were with maturity period within 1 year.

Trade payables turnover days (including trade payables and bills payable) for the years ended 31 December 2019 and 2018 were 306 days and 304 days respectively.

Foreign exchange fluctuations

The Group earns revenue and incurs costs and expenses mainly in Renminbi. The Group is exposed to certain foreign exchange fluctuations arising mainly from the exposure of Renminbi against Hong Kong dollar and US dollar. During the year ended 31 December 2019, the Group did not enter into forward contracts to hedge the foreign exchange exposures as the Directors considered the financial benefits of such forward contracts may not outweigh their costs. The Company will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charges on assets

As at 31 December 2019, land and building of the Group in Hong Kong with net book value of RMB6.4 million was pledged as security for mortgage loan (31 December 2018: RMB7.0 million). As at 31 December 2019, a loan from an independent third party of RMB41.8 million was secured by the equity of a PRC subsidiary of the Group.

Contingent liabilities

As at 31 December 2019, the Group had no contingent liabilities (31 December 2018: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 1,120 employees (including part-time employees) (2018: 1,490 employees) and the total remuneration expenses for the year ended 31 December 2019 amounted to RMB75.8 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 2019.

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

There was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2019 (2018: 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 under review, the market demand on the Group's products remained weak. The sales of the Group's products remained at a low level as compared to the previous years. In addition, due to the outbreak of the Novel Coronavirus ("COVID-19") in the last quarter of year 2019, the Group's production and sales were partially disrupted during the first quarter of year 2020. The Directors considered that the outbreak of COVID-19 may have short-term pressure on the Group's business. However, it may also lead to upgrade and consolidation opportunities of the food industry. As such, the Directors consider this is a good opportunity for the Group to expand its market share.

To build a solid foundation, the Group is formulating a mid-to-long term growth strategy. In year 2020, the Group has planned to expand its new retail, e-commerce, social media and society distribution channels. The Group will continue to adjust and upgrade its product portfolio, such as upgrading its pudding products and lift its sales. In addition, the Company will also launch a series of new talent management strategies, including but not limited to putting forward new performance-based incentive schemes, to attract talents.

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

FINAL DIVIDEND

The board of directors of the Company has resolved not to declare a dividend for the year ended 31 December 2019 (2018: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in compliance with Rule 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 (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 2019. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2019.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group's results for the year ended 31 December 2019 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 2019 set out in the 2019 Annual Report of the Company will be an unqualified audit opinion.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote stringent corporate governance practices and procedures with a view to safeguard the interests of shareholders and enhance investor confidence and the Company's accountability and transparency. The Company set out its corporate governance practices by reference to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2019, 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 2019.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Company for the year ended 31 December 2019 is published on the website of the Company at www.lbxxgroup.com and the website of the Stock Exchange at www.hkexnews.hk.

Due to the quarantine requirements of travelers were imposed in various areas in the PRC in an attempt to contain COVID-19, auditor of the Company could not carry out the audit field work in the PRC up to mid of April 2020 to inspect included (but not limited to) the accounting vouchers, invoices, bank statements, sales, purchases and other contracts, etc. in relation to our PRC subsidiaries. As at the date of this announcement, auditor has completed the audit and the audited results of the Company for the year ended 31 December 2019 has been approved by the Board.

The Company has finished drafting the annual report of the Company for the year ended 31 December 2019 ("2019 Annual Report"). The Company expects that it will take an additional five more working days to finalise the 2019 Annual Report and bulk printing of the 2019 Annual Report commences. Accordingly, it is expected the 2019 Annual Report will be dispatched to shareholders before 31 May 2020 and available at the same websites above in due course. Application has been made to the Stock Exchange for the approval for the delay in publication of the 2019 Annual Report.

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

Hong Kong, 15 May 2020

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.