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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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2020	2019	Change
	RMB' million	*RMB' million*	+/(-)%
Key income statement items			
Revenue	**508.8**	466.6	+9.0%
Gross Profit	**166.5**	139.0	+19.8%
EBITDA[1]	**51.7**	52.5	–1.5%
Loss for the year	**(29.4)**	(170.1)	–82.7%
Key performance indicators			
Gross profit margin	**32.7%**	29.8%	+2.9%pts
EBITDA margin	**10.2%**	11.4%	–1.2%pts
Net loss margin	**–5.8%**	–36.5%	+30.7%pts
Return on equity[2]	**–6.7%**	–28.2%	+21.5%pts
Loss per share – Basic	**RMB(0.02)**	RMB(0.13)	+84.6%
– Diluted	**RMB(0.02)**	RMB(0.13)	+84.6%

1. EBITDA refers to profit/(loss) before interests, income tax, depreciation, amortisation, gain on disposal of a subsidiary, writen-off of property, plant and equipment and reversal of impairment loss on loan receivable.

2. Return on equity is calculated using profit/(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 2020, together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	**508,838**	466,570
Cost of sales		**(342,294)**	(327,565)
Gross profit		**166,544**	139,005
Other income	4	**16,124**	16,819
Other (loss)/gain, net	5	**(1,790)**	444
Gain on disposal of a subsidiary	6	**141,659**	–
Allowance under expected credit losses model, net of reversal		**(18,234)**	375
Reversal of impairment loss on loan receivable		**–**	28,528
Loss on the remeasurement of asset classified as held for sale	13	**–**	(46,690)
Written-off of property, plant and equipment		**(65,980)**	(67,252)
Selling and distribution expenses		**(77,202)**	(74,637)
Administrative expenses		**(105,667)**	(106,758)
Operating profit/(loss)		**55,454**	(110,166)
Finance income		**1,031**	676
Finance costs		**(40,509)**	(43,774)
Finance costs, net	7	**(39,478)**	(43,098)

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Profit/(loss) before taxation	*8*	**15,976**	(153,264)
Taxation	*9*	**(45,379)**	(16,846)
Loss and total comprehensive loss for the year		**(29,403)**	(170,110)
Loss per share attributable to equity holders of the Company (RMB per share)	*10*		
– Basic		**(0.02)**	(0.13)
– Diluted		**(0.02)**	(0.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		**94,238**	127,710
Property, plant and equipment		**298,762**	505,644
Deposits for property, plant and equipment		**45,455**	43,508
Deferred income tax assets		**85,390**	110,275
		523,845	787,137
Current assets			
Inventories		**63,581**	43,146
Trade receivables	*12*	**297,633**	244,549
Prepayments and other receivables		**158,424**	135,921
Pledged bank deposits		**40,916**	70,270
Cash and cash equivalents		**258,839**	24,833
		819,393	518,719
Asset classified as held for sale	*13*	**186,002**	180,000
		1,005,395	698,719
Total assets		**1,529,240**	1,485,856
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**470,030**	470,030
Reserves		**(2,186)**	27,217
Total equity		**467,844**	497,247

	Notes	2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liability			
Deferred tax liabilities		**15,846**	15,864
		15,846	15,864
Current liabilities			
Trade and other payables	*14*	**382,595**	347,855
Bank borrowings	*15*	**642,443**	624,890
Tax payable		**20,512**	–
		1,045,550	972,745
Total liabilities		**1,061,396**	988,609
Total equity and liabilities		**1,529,240**	1,485,856
Net current liabilities		**(40,155)**	(274,026)
Total assets less current liabilities		**483,690**	513,111

NOTES:

1. General information

Labixiaoxin Snacks Group Limited (the "Company") was incorporated in Bermuda on 4 May 2004 and domiciled in Bermuda. The Company's immediate and ultimate holding company is Alliance Food and Beverages (Holding) Company Limited, a company incorporated in the British Virgin Islands (the "BVI"). The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Wuli Industrial Area, Jinjiang, Fujian, the People's Republic of China (the "PRC") (中國福建省晉江市五里工業園區).

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

The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000"), which is also the functional currency of the Group unless otherwise stated.

2. Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for asset classified as held for sale that are measured at fair value less cost of sales at the end of each reporting period, as explained in the accounting policies set out below.

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 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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.

Going concern basis

The Group incurred a net loss of approximately RMB29,403,000 (2019: approximately RMB170,110,000) for the year ended 31 December 2020. As at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately RMB40,155,000 (2019: approximately RMB274,026,000).

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of twelve months from 31 December 2020. 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 2020. 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 RMB48,298,000 loan from a loan facility of RMB60,000,000 to the Group, have agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2020.

(2) Disposal of the land

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

(3) Completion of the disposal of the properties

The Group entered into the two provisional agreements to dispose the properties located at Hong Kong at a consideration of HK$23,000,000 (equivalent to approximately RMB20,000,000). For further details, please refer to Note 13(b).

(4) 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.

Amendments to IFRSs that are mandatorily effective for the current year

Application of Amendments to International Financial Reporting Standards

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRSs* and a number of amendments to IFRSs issued by the International Accounting Standards Board (the "IASB"), for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions*.

The *Amendments to References to the Conceptual Framework in IFRSs* and the 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 years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issued but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
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	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendment to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[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 2021.

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 in the foreseeable future.

3. Segment information

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

The chief operating decision-maker (the "CODM") has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business by products and assesses the performance of the following operating segments:

i. Jelly products
ii. Confectionary products
iii. Beverages products
iv. Other snacks products

The CODM assesses the performance of the operating segments based on measure of segment results. 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 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 2020 and 2019, none of the individual customer accounted for 10% or more of the Group's external revenue. As at 31 December 2020 and 2019, 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 2020				
	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	**384,184**	**104,100**	**5,206**	**15,348**	**508,838**
Cost of sales	**(255,982)**	**(72,052)**	**(4,622)**	**(9,638)**	**(342,294)**
Gross profit	**128,202**	**32,048**	**584**	**5,710**	**166,544**
Results of reportable segments	**3,629**	**16,524**	**43**	**3,166**	**23,362**

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

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

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

Amounts included in the measure of segment profit or loss:

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

	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)

Geographic information

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

4. Other income

	2020	2019
	RMB'000	*RMB'000*
Rental income	**3,245**	8,465
Sundry income	**2,225**	2,653
Gain on sales of raw materials and scrap materials	**646**	5,701
Government grants *(note)*	**4,120**	–
Recovery of loan receivable previously written-off	**5,888**	–
	16,124	16,819

Note: During the current year, the Group recognised government grants which comprise COVID-19 related subsidies of approximately RMB3,879,000 provided by the Jinjiang City Public Employment and Talent Services Center and Employment Support Scheme of approximately RMB241,000 provided by the Hong Kong Government.

5. Other (loss)/gain, net

	2020	2019
	RMB'000	*RMB'000*
(Loss)/gain on disposal of property, plant and equipment	**(1,370)**	403
Net exchange (loss)/gain	**(420)**	41
	(1,790)	444

6. Gain on disposal of a subsidiary

On 27 July 2020, Labixiaoxin (Tianjin) Co., Ltd., an indirect wholly-owned subsidiary of the Company (the "Vendor"), Labixiaoxin (Fujian) Food Stuff Industry Co., Ltd., an indirect wholly-owned subsidiary of the Company (the "Vendor's Guarantor"), Lucky Gamma Offshore Holdings (HK) Limited, an independent third party (the "Purchaser") and Tianjin Huakunda Supply Chain Management Co., Ltd., an indirect wholly-owned subsidiary of the Company ("the Target Company") (collectively, the "Parties") entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which, the Purchaser has conditionally agreed to acquire, the Vendor has conditionally agreed to sell the entire equity interest in the Target Company at the consideration approximately of RMB288,175,000, pursuant to the terms and conditions of the Equity Transfer Agreement. The disposal was completed on 30 December 2020 and a gain on disposal of approximately RMB141,659,000 was recorded for the year ended 31 December 2020. For details, please refer to the Company's announcement dated 27 July 2020.

7. Finance costs, net

	2020	2019
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank borrowings	**(36,973)**	(40,006)
Interest expenses on loan from a director	**(872)**	(692)
Interest expenses on loan from an independent third party	**(2,664)**	(3,076)
Total finance cost	**(40,509)**	(43,774)
Finance income:		
Interest income on bank deposits	**1,031**	676
Total finance income	**1,031**	676
Finance costs, net	**(39,478)**	(43,098)

8. Profit/(loss) before taxation

	2020	2019
	RMB'000	*RMB'000*
The Group's profit/(loss) before taxation is arrived at after charging/(crediting):		
Auditors' remuneration		
– Audit service	**1,566**	2,081
– Non-audit service	**–**	357
Staff costs (including directors' remuneration)		
– Salaries and bonuses	**70,850**	71,127
– Employer's contribution to defined contribution plans	**1,286**	4,635
– Severance payments	**–**	1,078
Advertising and promotion expenses	**35,028**	34,671
Depreciation of right-of-use assets	**3,316**	3,316
Depreciation of property, plant and equipment	**48,931**	74,348
Loss/(gain) on disposal of property, plant and equipment	**1,370**	(403)
Reversal of impairment loss on loan receivable	**–**	(28,528)
Allowance for/(reversal of) expected credit losses on trade receivables	**18,079**	(375)
Allowance for expected credit losses on other receivables	**155**	–
Cost of inventory sold	**275,327**	196,572
Written-off of property, plant and equipment	**65,980**	67,252
Loss on the remeasurement of asset classified as held for sale	**–**	46,690
Freight and transportation expenses	**4,308**	2,367

9. Taxation

	2020 *RMB'000*	2019 *RMB'000*
Current income tax – PRC Enterprise Income Tax	**20,512**	–
Deferred income tax, net	**24,867**	16,846
	45,379	16,846

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 2019 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 2020 (2019: Nil).

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at the rate of 25% (2019: 25%) on taxable profits of the Group's PRC subsidiaries during the years.

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.

10. 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.

	2020	2019
Net loss attributable to the equity holders of the Company *(RMB'000)*	**(29,403)**	(170,110)
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)*	**(0.02)**	(0.13)

(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.

11. Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

12. Trade receivables

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**319,335**	248,172
Less: Allowance for credit losses	**(21,702)**	(3,623)
	297,633	244,549

For the year ended 31 December 2020, the Group's revenue are generally on credit term of 180 days (2019: 180 days). As at 31 December 2020, the ageing analysis of trade receivables, based on invoice date, and net of allowance for credit losses, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Less than 30 days	**82,475**	52,265
31 days – 90 days	**31,964**	55,884
91 days – 180 days	**48,471**	56,494
Over 180 days	**134,723**	79,906
	297,633	244,549

Included in the above allowance for credit losses on trade receivables is RMB21,702,000 (2019: RMB3,623,000). 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.

13. Asset classified as held for sale

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

Pursuant to the Extension Announcement dated on 31 December 2020, as additional time is required by the Purchaser and Vendor for the fulfilment of the conditions precedent to the Transfer Agreement, the Long Stop Date shall be further extended to 30 June 2021.

(b) On 10 November 2020, an indirect wholly-owned subsidiary of the Company (the "**Vendor**"), entered into the First Provisional Agreement (the "**First Provisional Agreement**") with First Purchaser (the "**First Purchaser**"), pursuant to which the Vendor has agreed to sell, and the First Purchaser has agreed to purchase, the First Property (the "**First Property**") at a consideration of HK$11,500,000 (equivalent to approximately RMB10,000,000); and

The Vendor entered into the Second Provisional Agreement (the "**Second Provisional Agreement**") with the Second Purchaser (the "**Second Purchaser**"), pursuant to which the Vendor has agreed to sell, and the Second Purchaser has agreed to purchase, the Second Property (the "**Second Property**") at a consideration of HK$11,500,000 (equivalent to approximately RMB10,000,000).

The disposal transactions have been completed on 29 January 2021. For more details, please refer to the announcement of the Company dated 10 November 2020.

14. Trade and other payables

Included in the trade and other payables, as of the end of the reporting period, the trade payable were approximately RMB35,387,000 (2019: RMB19,593,000).

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:

	2020	2019
	RMB'000	*RMB'000*
Less than 30 days	**25,031**	15,023
31 days – 90 days	**6,996**	2,637
Over 90 days	**3,360**	1,933
	35,387	19,593

The carrying amounts of trade payables approximate its fair values.

15. Bank borrowings

	2020	2019
	RMB'000	*RMB'000*
Secured bank borrowings	**460,943**	443,390
Unsecured bank borrowings	**181,500**	181,500
Total bank borrowings	**642,443**	624,890

Carrying amount of bank borrowings wholly repayable:

On demand or within 1 year	**642,443**	624,890

16. Events after the reporting period

Subsequent to the end of the reporting period, the Group had no significant event occurred.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2020, Labixiaoxin Snacks Group Limited (the "Company" and together with its subsidiaries, the "Group") has recorded revenue of approximately RMB508.8 million, representing an increase of approximately 9.0% as compared with the corresponding period of last year. The increase in the recorded revenue was mainly due to increase in sales of jelly products as the Group began to strengthen its e-commerce and new retail channels and launched more advertising and promotion activities both online and offline during the year under review. The Group's gross profit for the year ended 31 December 2020 increased by approximately RMB27.5 million when as compared with year 2019.

For the year ended 31 December 2020, the Group recorded a net loss of RMB29.4 million, a decrease of approximately 82.7% from the net loss of RMB170.1 million in last year. The decrease in the net loss was mainly due to i) the improvement in the sales of the Group's products during the year under review; ii) a gain on disposal of a PRC subsidiary; and iii) absence of loss on re-measurement of asset classified as held for sale during the year under review.

REVENUE

Revenue of the Group increased by approximately 9.0% to RMB508.8 million for the year ended 31 December 2020 when compared with year 2019. The increase in the recorded revenue was mainly due to increase in sales of jelly products as the Group began to strengthen its e-commerce and new retail channels and launched more advertising and promotion activities both online and offline during the year. As at 31 December 2020, the Group had a total number of 1,206 distributors (As at 31 December 2019: 845).

Jelly products

Revenue of jelly products increased by approximately 10.0% from RMB349.2 million for the year ended 31 December 2019 to RMB384.2 million for the year ended 31 December 2020, primarily due to the Group having strengthen its e-commerce and new retail channels and launched more advertising and promotion activities both online and offline during the year. During the year ended 31 December 2020, revenue attributable to jelly snacks increased by approximately 4.6% to RMB237.5 million while sales attributable to jelly beverages increased by approximately 20.0% to RMB146.7 million.

Confectionary products

Revenue of confectionary products decreased by approximately 1.5% from RMB105.7 million for the year ended 31 December 2019 to RMB104.1 million for the year ended 31 December 2020, which was primarily due to the Group having shifted its focus to promote jelly products and bean curd products.

Beverage products

Revenue of beverages products of the Group decreased by approximately 33.3% to RMB5.2 million during the year ended 31 December 2020, which was primarily due to the Group having shifted its focus to promote jelly products and bean curd products.

Other snacks products

For the year ended 31 December 2020, revenue of other snacks products increased by approximately 292.3% to RMB15.3 million mainly due to significant increase in sales of bean curd products. Other snacks products includes cakes, breads, bean curd products, egg rolls etc. The Group launched various new bean curd products during the year under review and these products were well received by the customers. The Group will continue to develop new healthy snacks products to meet the different taste of the customers.

COST OF SALES AND GROSS PROFIT

Cost of sales increased by approximately 4.5% to RMB342.3 million for the year ended 31 December 2020. The increase in cost of sales was mainly attributable to the corresponding increase in revenue due to the reasons mentioned above.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 3.4% to RMB77.2 million for the year ended 31 December 2020. While the Group had launched more advertising and promotion activities both online and offline during the year to mitigate the negative impacts brought by the COVID-19 pandemic, the Group had proactively identify cheaper advertising channels for promoting its products. As a result, advertising and promotion expenses increased by approximately 1.0% to RMB35.0 million during the year under review.

The general market demand for the Group's products has remained weak. In addition, the PRC's economy has not fully recovered from the COVID-19 pandemic. 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 with an objective to bring long-term benefits to the Group's development.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group decreased by approximately 1.0% to RMB105.7 million for the year ended 31 December 2020, which had no significant changes from last year.

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 in year 2019. The surplus machineries were disposed of 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.

During the year under review, Tianjin Huakunda Supply Chain Management Co., Ltd. ("Huakunda"), the then subsidiary of the Company holding the Tianjin plant, commenced the redevelopment of its factory premises to cater for production and supply chain base for "New Retail" distribution channels and therefore certain of the original building structures of the factory premises were demolished (the "Demolition"). As a result of the Demolition, the original buildings demolished with net book value of RMB66.0 million has been written-off during the year under review.

GAIN ON DISPOSAL OF A SUBSIDIAY

On 27 July 2020, Labixiaoxin (Tianjin) Co., Ltd., an indirect wholly-owned subsidiary of the Company (the "Vendor"), Labixiaoxin (Fujian) Food Stuff Industry Co., Ltd., an indirect wholly-owned subsidiary of the Company (the "Vendor's Guarantor"), Lucky Gamma Offshore Holdings (HK) Limited, an independent third party (the "Purchaser") and Huakunda, the then indirect wholly-owned subsidiary of the Company (the "Target Company") (collectively, the "Parties") entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which, the Purchaser has conditionally agreed to acquire, the Vendor has conditionally agreed to sell the entire equity interest in the Target Company at the consideration of RMB288.1 million, pursuant to the terms and conditions of the Equity Transfer Agreement. The disposal was completed on 30 December 2020 and a gain on disposal of approximately RMB141.7 million was recorded for the year ended 31 December 2020.

INCOME TAX EXPENSE

The Group's income tax expense during the year under review was mainly due to derecognition of the deferred tax assets for the tax losses of the Group's subsidiaries in the PRC and the provision of income taxes for the disposal of Huakunda.

NET LOSS FOR THE YEAR

For the year ended 31 December 2020, the Group recorded a net loss of RMB29.4 million, a decrease of approximately 82.7% from the net loss of RMB170.1 million in last year. The decrease in the net loss was mainly due to i) the improvement in the sales of the Group's products during the year under review; ii) a gain on disposal of a subsidiary; and iii) the absence of loss on re-measurement of asset classified as held for sale during the year under review.

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 2020, the cash and bank balances amounted to RMB258.8 million (As at 31 December 2019: RMB24.8 million). The increase in cash and bank balances was mainly due to proceeds received from the disposal of the entire equity interest of a subsidiary during the year under review. The bank borrowings of the Group increased by RMB17.6 million during the year ended 31 December 2020.

As at 31 December 2020, the Group's gearing ratio (total borrowings divided by total equity) was 147.6% (As at 31 December 2019: 141.9%). The Group maintained sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group recorded net cash outflow from operating activities of RMB14.5 million for the year ended 31 December 2020 (2019: inflow of RMB35.0 million). The Group has generated RMB302.9 million from investing activities for the year ended 31 December 2020 mainly due to RMB274.0 million net cash inflow on disposal of a subsidiary. The Group has net cash outflow from financing activities of RMB54.5 million for the year ended 31 December 2020 which was mainly due to repayment of matured bank borrowings and the loan from an independent third party.

Capital expenditure

During the year ended 31 December 2020, the Group incurred RMB9.1 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 2020, the balance increased by RMB20.4 million from the beginning of the year. The increase in inventory level was mainly due to expected improvement in sales performance during the Chinese lunar new year in February 2021. The inventories turnover days for the years ended 31 December 2020 and 2019 were 67 days and 63 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 RMB53.1 million from the beginning of the year 2020 mainly due to increase in sales in the second half of year 2020 as compared to the corresponding period of year 2019. This was mainly due to increase in sales of jelly products as the Group began to strengthen its e-commerce and new retail channels and launched more advertising and promotion activities both online and offline during the year under review. The trade receivable turnover days for the years ended 31 December 2020 and 2019 were 197days and 168 days, respectively. Subsequent to the year ended 31 December 2020 and up to the date of this announcement, approximately RMB81.2 million of the trade receivables were settled by the wholesale distributors.

Asset classified as held for sale

(i) On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the "Vendor") and Fujian Jinjiang Au Dian Supply Chain Management Company Limited, 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. As at the date of this announcement, the transfer as contemplated under the Transfer Agreement has not been completed. For more details, please refer to the announcement dated 15 May 2019 and the circular dated 24 June 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.

    Pursuant to the Extension Announcement dated on 31 December 2020, as additional time is required by the Purchaser and Vendor for the fulfilment of the conditions precedent to the Transfer Agreement, the Long Stop Date shall be further extended to 30 June 2021.

(ii) On 10 November 2020, an indirect wholly-owned subsidiary of the Company (the "Vendor"), entered into the First Provisional Agreement (the "First Provisional Agreement") with First Purchaser (the "First Purchaser"), pursuant to which the Vendor has agreed to sell, and the First Purchaser has agreed to purchase, the First Property (the "First Property") at a consideration of HK$11,500,000 (equivalent to approximately RMB10,000,000); and

    The Vendor entered into the Second Provisional Agreement (the "Second Provisional Agreement") with the Second Purchaser (the "Second Purchaser"), pursuant to which the Vendor has agreed to sell, and the Second Purchaser has agreed to purchase, the Second Property (the "Second Property") at a consideration of HK$11,500,000 (equivalent to approximately RMB10,000,000).

    The disposal transactions have been completed on 29 January 2021. For more details, please refer to the announcement of the Company dated 10 November 2020.

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 2020, bills payable of the Group amounting to RMB81.3 million were secured by pledged bank deposits of RMB40.9 million. As at 31 December 2020, 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 2020 and 2019 were 175 days and 306 days respectively.

Foreign exchange fluctuations

The Group earns revenue and incur costs and expenses mainly in Renminbi. The Group is exposed to certain foreign exchange fluctuations arising mainly from the exposure of Renminbi against Hong Kong dollar and US dollar. During the year ended 31 December 2020, 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 2020, land and building of the Group in Hong Kong with net book value of RMB6.0 million was pledged as security for mortgage loan (31 December 2019: RMB6.4 million).

Contingent liabilities

As at 31 December 2020, the Group had no contingent liabilities (31 December 2019: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2020, the Group had approximately 1,060 employees (including part-time employees) (2019: 1,120 employees) and the total remuneration expenses for the year ended 31 December 2020 amounted to RMB72.1 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 2020.

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

During the year ended 31 December 2020, the Group has disposed the entire equity interest of Tianjin Huakunda Supply Chain Management Co., Ltd., an then indirect wholly-owned subsidiary of the Company and held an industrial complex in Tianjin, to an independent third party (the "Disposal"). The Disposal was completed on 30 December 2020. Save as the Disposal, there was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2020 (2019: 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

Due to the outbreak of the COVID-19 pandemic since the last quarter of year 2019, the Group's production and sales were partially disrupted during the first quarter of year 2020. The consumer sentiment in the PRC gradually recovered in the second half of year 2020 due to the stabilization of the COVID-19 pandemic in the PRC. To cope with the negative impacts on the Group's sales due to the COVID-19 pandemic, the Group began to strengthen its e-commerce and new retail channels and launched more advertising and promotion activities both online and offline during the year 2020. These measures had positively boosted the Group's sales performance during this difficult year.

Although the economy of the PRC rebounded with a good momentum, the Directors considered that a complete and strong recovery of PRC's economy and the Group's business may not happen in the short term.

To build a solid foundation for mid-to-long term growth, the Group is committed to (i) taking proactive steps in marketing its brand image and products in 2021 and onwards, (ii) launching new snacks products from time to time to offer better choices to the consumers and (iii) promoting its products through e-commerce and new retail channels. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the longer run.

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

FINAL DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: 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 Listing Rules and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Yau Tong (chairman), Mr. Li Biao and Ms. Sun Kam Ching. The Audit Committee has reviewed with auditor and management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 December 2020.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group's results for the year ended 31 December 2020 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 2020 set out in the 2020 Annual Report of the Company will be an unqualified audit opinion.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2020. The report includes paragraphs of material uncertainty related to going concern, without modification:

Material Uncertainty Related To Going Concern

"We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB29,403,000 during the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB40,155,000. As stated in Note 3, these conditions, along with other matters as set forth in Note 3 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."

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 2020, 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 2020.

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 2020 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 2020 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 2021

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

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