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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 2023 AND PROPOSED ADOPTION OF THE NEW BYE-LAWS

## FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change +/(-)%
	2023 RMB'million	2022 RMB'million	
<b>Key income statement items</b>			
Revenue	764.4	684.3	+11.7%
Gross Profit	218.9	244.2	-10.4%
EBITDA <sup>1</sup>	49.9	69.9	-28.6%
Loss for the year	(104.8)	(75.3)	+39.2%
<b>Key performance indicators</b>			
Gross profit margin	28.6%	35.7%	-7.1%pts
EBITDA margin	6.5%	10.2%	-3.7%pts
Net loss margin	-13.7%	-11.0%	+2.7%pts
Return on equity <sup>2</sup>	-30.7%	-19.2%	+11.5%pts
Loss per share – Basic	RMB(0.08)	RMB(0.06)	+33.3%
– Diluted	RMB(0.08)	RMB(0.06)	+33.3%

1. EBITDA refers to loss before interests, income tax, depreciation, amortisation, allowance for expected credit losses, loss on disposal of asset classified as held for sale and written-off of property, plant and equipment.
2. Return on equity is calculated using loss and total comprehensive loss for the year divided by average of monthly ending equity balance for the year.

The board (the “**Board**”) of directors (the “**Director(s)**”) 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**”, “**we**” or “**our**”) for the year ended 31 December 2023, together with comparative figures for the year ended 31 December 2022, as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2023*

	<i>Notes</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3	<b>764,377</b>	684,263
Cost of sales		<u><b>(545,437)</b></u>	<u>(440,071)</u>
Gross profit		<b>218,940</b>	244,192
Other income	4	<b>4,254</b>	6,915
Other gain/(loss), net	5	<b>92</b>	(21,528)
Allowance for expected credit losses, net		<b>(78,893)</b>	(47,521)
Written-off of property, plant and equipment		<b>(17,425)</b>	(1,133)
Selling and distribution expenses		<b>(109,838)</b>	(116,259)
Administrative expenses		<u><b>(99,188)</b></u>	<u>(104,987)</u>
Operating loss		<u><b>(82,058)</b></u>	<u>(40,321)</u>
Finance income		<b>332</b>	378
Finance costs		<u><b>(23,028)</b></u>	<u>(27,728)</u>
Finance costs, net	6	<u><b>(22,696)</b></u>	<u>(27,350)</u>
Loss before taxation	7	<b>(104,754)</b>	(67,671)
Taxation	8	<u><b>–</b></u>	<u>(7,657)</u>
Loss and total comprehensive loss for the year		<u><b>(104,754)</b></u>	<u>(75,328)</u>
Loss per share attributable to equity holders of the Company ( <i>RMB per share</i> )	9		
– Basic and diluted		<u><b>(0.08)</b></u>	<u>(0.06)</u>

Details of dividends to equity holders of the Company are set out in Note 10.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		2023	2022
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		<b>86,798</b>	89,280
Property, plant and equipment		<b>237,978</b>	248,183
Deposits for property, plant and equipment		<b>7,997</b>	15,198
		<u><b>332,773</b></u>	<u>352,661</u>
<b>Current assets</b>			
Inventories		<b>60,545</b>	75,382
Trade receivables	<i>11</i>	<b>238,741</b>	321,876
Prepayments and other receivables		<b>134,529</b>	155,516
Cash and cash equivalents		<b>44,319</b>	71,876
		<u><b>478,134</b></u>	<u>624,650</u>
<b>Total assets</b>		<u><b>810,907</b></u>	<u>977,311</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		<b>470,030</b>	470,030
Reserves		<b>(247,472)</b>	(142,718)
<b>Total equity</b>		<u><b>222,558</b></u>	<u>327,312</u>

		<b>2023</b>	2022
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Deferred tax liabilities		<u>15,846</u>	<u>15,846</u>
		<u>15,846</u>	<u>15,846</u>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<u>167,313</u>	163,513
Bank borrowings	<i>13</i>	<u>405,190</u>	<u>470,640</u>
		<u>572,503</u>	<u>634,153</u>
<b>Total liabilities</b>		<u>588,349</u>	<u>649,999</u>
<b>Total equity and liabilities</b>		<u><u>810,907</u></u>	<u><u>977,311</u></u>
<b>Net current liabilities</b>		<u><u>(94,369)</u></u>	<u><u>(9,503)</u></u>
<b>Total assets less current liabilities</b>		<u><u>238,404</u></u>	<u><u>343,158</u></u>

## NOTES:

### 1. General information

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

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

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

The consolidated financial statements are presented in thousands of units of Renminbi (“**RMB’000**”), which is also the functional currency of the Company, unless otherwise stated. The consolidated financial statements have been approved for issue by the board of directors of the Company on 28 March 2024.

### 2. Basis of preparation of consolidated financial statements

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

#### *Going concern basis*

The Group incurred a net loss of approximately RMB104,754,000 (2022: approximately RMB75,328,000) for the year ended 31 December 2023. As at 31 December 2023, the Group’s current liabilities exceeded its current assets by approximately RMB94,369,000 (2022: approximately RMB9,503,000).

The directors 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 2023. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. 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 they 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 has already provided the aggregate amount of approximately RMB46,081,000 loan from a loan facility of RMB70,000,000 to the Group as at 31 December 2023, has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from the date of this announcement.

(2) *Bank borrowings*

The Group had bank borrowings of approximately RMB405,190,000 as at 31 December 2023, of which approximately RMB285,300,000 is repayable within one year. The remaining bank borrowings, amounting to RMB119,890,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreement. The directors does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

(3) *Alternative sources of external funding*

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

(4) *Cost control measurements*

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

(5) *Business reorganisation*

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

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

***New and amendment to IFRSs that are mandatorily effective for the current year***

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

### ***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:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

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

### **3. Segment Information**

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

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

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

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



The CODM assesses the performance of the operating segments based on measure of segment results without allocation of corporate income (included the other income and other gain) and corporate expenses including the administrative expense and other loss. 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 ageing 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.

***Geographic information***

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

As at 31 December 2023 and 2022, majority of the Group's assets, liabilities and capital expenditure were located or utilised in the PRC.

***Information about major customers***

Revenue from customers which individually contributed over 10% of the Group's revenue for the years ended 31 December 2023 and 2022 is as follows:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Customer A	<b><u>79,557</u></b>	<u>N/A</u> *

\* The corresponding revenue does not contribute over 10% of the Group's revenue for the respective year

*Segment revenue and results*

	Year ended 31 December 2023				
	Jelly products <i>RMB'000</i>	Confectionary products <i>RMB'000</i>	Beverages products <i>RMB'000</i>	Other snacks products <i>RMB'000</i>	Reportable segments total <i>RMB'000</i>
<b>Revenue</b>					
Sales to external customers	665,559	85,558	5,201	8,059	764,377
Cost of sales	(474,055)	(58,059)	(7,917)	(5,406)	(545,437)
Gross profit/(loss)	<u>191,504</u>	<u>27,499</u>	<u>(2,716)</u>	<u>2,653</u>	<u>218,940</u>
Results of reportable segments	<u>(2,274)</u>	<u>13,556</u>	<u>(55,088)</u>	<u>1,286</u>	<u>(42,520)</u>

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

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

	2023 <i>RMB'000</i>
<b>Results of reportable segments</b>	(42,520)
Corporate income	4,346
Corporate expenses	<u>(43,884)</u>
<b>Operating loss</b>	(82,058)
Finance income	332
Finance costs	<u>(23,028)</u>
<b>Loss before taxation</b>	(104,754)
Taxation	<u>—</u>
<b>Loss for the year</b>	<u><u>(104,754)</u></u>

Amounts included in the measure of segment profit or loss:

	Year ended 31 December 2023				
	Jelly products <i>RMB'000</i>	Confectionary products <i>RMB'000</i>	Beverages products <i>RMB'000</i>	Other snacks products <i>RMB'000</i>	Reportable segments total <i>RMB'000</i>
Capital expenditure	<u>32,892</u>	<u>-</u>	<u>7,533</u>	<u>-</u>	<u>40,425</u>
Depreciation of right-of-use assets	<u>1,545</u>	<u>-</u>	<u>937</u>	<u>-</u>	<u>2,482</u>
Depreciation of property, plant and equipment	<u>27,468</u>	<u>-</u>	<u>5,665</u>	<u>72</u>	<u>33,205</u>
Written-off of property, plant and equipment	<u>8,657</u>	<u>-</u>	<u>8,768</u>	<u>-</u>	<u>17,425</u>
Allowance for expected credit losses on trade receivables, net	<u>42,758</u>	<u>-</u>	<u>36,107</u>	<u>-</u>	<u>78,865</u>
	Year ended 31 December 2022				
	Jelly products <i>RMB'000</i>	Confectionary products <i>RMB'000</i>	Beverages products <i>RMB'000</i>	Other snacks products <i>RMB'000</i>	Reportable segments total <i>RMB'000</i>
<b>Revenue</b>					
Sales to external customers	592,196	72,992	5,125	13,950	684,263
Cost of sales	<u>(374,863)</u>	<u>(50,619)</u>	<u>(7,174)</u>	<u>(7,415)</u>	<u>(440,071)</u>
Gross profit/(loss)	<u>217,333</u>	<u>22,373</u>	<u>(2,049)</u>	<u>6,535</u>	<u>244,192</u>
<b>Results of reportable segments</b>	<u>41,263</u>	<u>5,237</u>	<u>(10,997)</u>	<u>3,173</u>	<u>38,676</u>

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

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

	2022 RMB'000
<b>Results of reportable segments</b>	38,676
Corporate income	6,915
Corporate expenses	<u>(85,912)</u>
<b>Operating loss</b>	(40,321)
Finance income	378
Finance costs	<u>(27,728)</u>
<b>Loss before taxation</b>	(67,671)
Taxation	<u>(7,657)</u>
<b>Loss for the year</b>	<u><u>(75,328)</u></u>

Amounts included in the measure of segment profit or loss:

	Year ended 31 December 2022				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Capital expenditure	<u>12,837</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,837</u>
Depreciation of right-of-use assets	<u>1,881</u>	<u>–</u>	<u>936</u>	<u>–</u>	<u>2,817</u>
Depreciation of property, plant and equipment	<u>31,381</u>	<u>–</u>	<u>6,226</u>	<u>177</u>	<u>37,784</u>
Written-off of property, plant and equipment	<u>647</u>	<u>–</u>	<u>486</u>	<u>–</u>	<u>1,133</u>
Allowance for expected credit losses on trade receivables, net	<u>41,107</u>	<u>5,085</u>	<u>380</u>	<u>951</u>	<u>47,523</u>

#### 4. Other income

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Rental income	3,110	2,884
Sundry income	1,144	1,844
Government grants ( <i>Note</i> )	—	2,187
	<u>4,254</u>	<u>6,915</u>

*Note:* During the year ended 31 December 2023, the Group did not recognised government grants which comprise Covid-19-related subsidies (2022: approximately RMB2,089,000) provided by the PRC government and Employment Support Scheme (2022: approximately RMB98,000) provided by the Hong Kong Government.

#### 5. Other gain/(loss), net

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss on disposal of asset classified as held for sale, net	—	(20,923)
Net exchange gain/(loss)	126	(439)
Loss on sales of raw materials and scrap materials	(34)	(166)
	<u>92</u>	<u>(21,528)</u>

**6. Finance costs, net**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Finance costs:		
Interest expenses on bank borrowings	(22,139)	(26,933)
Interest expenses on loan from a director	(889)	(786)
Interest expenses on lease liabilities	—	(9)
	<u>                    </u>	<u>                    </u>
<b>Total finance costs</b>	<b><u><u>(23,028)</u></u></b>	<b><u><u>(27,728)</u></u></b>
Finance income:		
Interest income on bank deposits	332	378
	<u>                    </u>	<u>                    </u>
<b>Total finance income</b>	<b><u><u>332</u></u></b>	<b><u><u>378</u></u></b>
<b>Finance costs, net</b>	<b><u><u>(22,696)</u></u></b>	<b><u><u>(27,350)</u></u></b>

## 7. Loss before taxation

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
The Group's loss before taxation is arrived at after charging/(crediting):		
Auditors' remuneration		
– Audit service	1,060	979
Staff costs (including directors' remuneration)		
– Salaries and bonuses	116,427	95,906
– Employer's contribution to defined contribution plans	5,563	4,689
Advertising and promotion expenses	60,293	92,034
Depreciation of right-of-use assets	2,482	2,817
Depreciation of property, plant and equipment	33,205	37,784
Allowance for expected credit losses on trade receivables, net	78,865	47,523
Allowance for/(reversal of allowance for) expected credit losses on other receivables, net	28	(2)
Cost of inventories sold	436,679	386,264
Written-off of property, plant and equipment	17,425	1,133
Freight and transportation expenses	8,712	6,119
	<u>8,712</u>	<u>6,119</u>

## 8. Taxation

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax – PRC Enterprise Income Tax	–	–
Deferred tax, net	–	7,657
	<u>–</u>	<u>7,657</u>

### ***Hong Kong Profits Tax, Bermuda and BVI Income Tax***

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

No provision of Hong Kong Profits Tax, Bermuda and BVI Income Tax has been made, as the Group did not generate any assessable profits in these jurisdictions during the years ended 31 December 2023 and 2022.

### ***PRC Enterprise Income Tax***

PRC Enterprise Income Tax has been provided at the rate of 25% (2022: 25%) on taxable profits of the Group's PRC subsidiaries during the year.

## **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.

	2023	2022
Net loss attributable to the equity holders of the Company ( <i>RMB'000</i> )	<u><u>(104,754)</u></u>	<u><u>(75,328)</u></u>
Weighted average number of ordinary shares in issue for basic loss per share ( <i>'000</i> )	<u><u>1,328,977</u></u>	<u><u>1,328,977</u></u>
Basic loss per share ( <i>RMB per share</i> )	<u><u>(0.08)</u></u>	<u><u>(0.06)</u></u>

### ***(b) Diluted loss per share***

There were no potential ordinary shares in issue for both 2023 and 2022. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.



## 10. Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

## 11. Trade receivables

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	<b>320,639</b>	411,148
Less: Allowance for expected credit losses	<b>(81,898)</b>	(89,272)
	<b><u>238,741</u></b>	<u>321,876</u>

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

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Less than 30 days	<b>220,381</b>	63,121
31 days to 90 days	<b>8,853</b>	68,586
91 days to 180 days	<b>9,507</b>	108,093
Over 180 days	<b>–</b>	82,076
	<b><u>238,741</u></b>	<u>321,876</u>

Included in the above allowance for expected credit losses on trade receivables is approximately RMB81,898,000 (2022: approximately RMB89,272,000). The individually impaired trade receivable relates 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. Trade and other payables

Included in the trade and other payables, as of the end of the reporting period, the trade payables were approximately RMB25,744,000 (2022: approximately RMB27,912,000).

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Less than 30 days	15,751	19,092
31 days to 90 days	5,909	7,250
Over 90 days	4,084	1,570
	<u>25,744</u>	<u>27,912</u>

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

## 13. Bank borrowings

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Secured bank borrowings	363,190	470,640
Unsecured bank borrowings	42,000	–
<b>Total bank borrowings</b>	<b><u>405,190</u></b>	<b><u>470,640</u></b>

Carrying amount of bank borrowings wholly repayable:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
On demand or within 1 year	<u>405,190</u>	<u>470,640</u>

## 14. Events after the reporting period

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year ended 31 December 2023, the Group has reported a revenue of RMB764.4 million, representing an increase of approximately 11.7% as compared with the year ended 31 December 2022 mainly due to the increase in the sales of jelly products by 12.4% and confectionary products by 17.2%. During the year ended 31 December 2023, the consumer sentiment in the People's Republic of China (the "PRC") had gradually recovered from the hit by the Coronavirus Disease 2019 ("COVID-19") outbreak. The Group's sales was positively affected by the gradual recovery of the consumer sentiment in the PRC. In addition, in the past few years, the Group had put immense efforts in expanding its new sales channels ("New Sales Channels") e.g. sales through major snacks convenience stores chains in the PRC ("Snacks Convenience Stores Chains"). The expansion of these New Sales Channels had paid off during the year ended 31 December 2023 and boosted the sales of our jelly products and confectionary products.

Although the sales performance of the Group had gradually recovered from the COVID-19 pandemic, much of our distributors were bruised by COVID-19 control measures in the year ended 31 December 2022. Some of these distributors suffered from great financial difficulties, hence the Group encountered slow settlements from or default by these distributors during the years ended 31 December 2022 and 2023. As a result, an allowance for expected credit losses of the Group of approximately RMB78.9 million was recorded in the year ended 31 December 2023. To mitigate the soaring credit risk from our distributors, the Group had gone through a rigorous assessment of the sales performance and financial health of our distributors during the year under review to eliminate those distributors that under-performed. As a consequence, the number of our distributors decreased from 1,095 as at 31 December 2022 to 729 as at 31 December 2023.

The gross profit margin of the Group decreased from 35.7% in the year ended 31 December 2022 to 28.6% in the year ended 31 December 2023 as the profit margin from the sales through the New Sales Channels are in general lower than the sales through distributors. The Group's advertising and promotion expenses decreased by approximately 34.5% to RMB60.3 million during the year ended 31 December 2023 as less advertising and promotion activities are required for sales to Snacks Convenience Stores Chains.

For the year ended 31 December 2023, the Group recorded a net loss of RMB104.8 million, as compared with RMB75.3 million in the last year. The increase in the Group's net loss during the year ended 31 December 2023 was mainly due to the increase in allowance for expected credit losses by approximately RMB31.4 million due to slow settlements from or default by the distributors.

## **REVENUE**

Revenue increased by approximately 11.7% to RMB764.4 million during the year ended 31 December 2023 when compared with the same period in the year ended 31 December 2022. During the year ended 31 December 2023, the Group's sales performance has been positively impacted by the recovery of consumer sentiments in the PRC. In addition, the Group had put immense efforts in expanding its New Sales Channels which boosted the sales of the Group during the year ended 31 December 2023. As at 31 December 2023, the Group had a total number of 729 distributors (31 December 2022: 1,095). The number of distributors decreased by 33.4% during the year ended 31 December 2023 as the Group had gone through a rigorous assessment of the sales performance and financial health of our distributors during the year under review to eliminate those distributors that under-performed.

### **Jelly products**

Revenue of jelly products increased by approximately 12.4% from RMB592.2 million in the year ended 31 December 2022 to RMB665.6 million in the year ended 31 December 2023 mainly due to the expansion of the New Sales Channels as explained above.

During the year ended 31 December 2023, revenue attributable to jelly snacks increased by approximately 5.7% to RMB352.8 million while sales attributable to jelly beverages increased by approximately 21.0% to RMB312.8 million.

### **Confectionary products**

Confectionary products recorded an increase in revenue during the year ended 31 December 2023. Sales of confectionary products increased by approximately 17.2% from RMB73.0 million in the year ended 31 December 2022 to RMB85.6 million in the year ended 31 December 2023. The increase was mainly due to the expansion of the New Sales Channels as explained above.

## **Beverage products**

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue of beverages products of the Group increased by approximately 1.5% to RMB5.2 million in the year ended 31 December 2023. The Group will continue to shift its focus from beverages products to its core and more profitable jelly products in the coming year.

## **Other snacks products**

Revenue of other snacks products decreased by approximately 42.2% to RMB8.1 million during the year ended 31 December 2023. The decrease was mainly due to the Group's shift of focus from other snacks products to its core and more profitable jelly products during the year under review. Other snacks products include cakes, breads, bean curd products, egg rolls etc. The Group will continue to develop new healthy snacks products to meet the different tastes of the customers.

## **COST OF SALES AND GROSS PROFIT**

Cost of sales increased by approximately 23.9% to RMB545.4 million in the year ended 31 December 2023, mainly attributable to the corresponding increase in sales. The gross profit decreased by approximately 10.4% to RMB218.9 million in the year ended 31 December 2023. The gross profit margin decreased from 35.7% in the year ended 31 December 2022 to 28.6% in the year ended 31 December 2023 mainly due to an increase in the proportion of sales through the New Sales Channels which in general have a lower profit margin than sales through distributors.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses decreased by approximately 5.5% to RMB109.8 million in the year ended 31 December 2023 primarily due to a decrease in advertising and promotion expenses by approximately 34.5% to RMB60.3 million during the year under review as less advertising and promotion activities are required for sales to Snacks Convenience Stores Chains.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses decreased by approximately 5.5% to RMB99.2 million in the year ended 31 December 2023 as compared with the same period in 2022, mainly due to tight cost control by the management.

## **INCOME TAX EXPENSE**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Bermuda and British Virgin Islands (“BVI”), members of the Group in Bermuda and the BVI are not subject to any income tax. The Group’s subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong for the year ended 31 December 2023 and 2022. The subsidiaries in the PRC are subject to an income tax rate of 25% on their taxable profit during the year.

No provision of PRC enterprise income tax, 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 2023.

## **NET LOSS FOR THE YEAR**

For the year ended 31 December 2023, the Group recorded a net loss of RMB104.8 million, an increase of approximately 39.2% from the net loss of RMB75.3 million in the last year. The increase in the Group’s net loss during the year ended 31 December 2023 was mainly due to an increase in allowance for expected credit losses by approximately RMB31.4 million as a result of slow settlements from or default by the distributors.

## **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 2023, the cash and bank balances amounted to RMB44.3 million (As at 31 December 2022: RMB71.9 million). The decrease in cash and bank balances was mainly due to repayment of bank borrowings and payment of interests. The bank borrowings of the Group decreased by RMB65.5 million during the year ended 31 December 2023.

As at 31 December 2023, the Group's gearing ratio (total borrowings, lease liabilities and loan from a director divided by total equity) was 202.8% (As at 31 December 2022: 156.6%). 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 a net cash inflow from operating activities of RMB88.6 million for the year ended 31 December 2023 (2022: RMB15.5 million). The Group has spent RMB32.9 million in investing activities for the year ended 31 December 2023 mainly for the upgrade of production lines of the production plants. The Group has a net cash outflow from financing activities of RMB83.3 million for the year ended 31 December 2023 which was mainly due to repayment of matured bank borrowings and payment of interest expenses.

### **Capital expenditure**

During the year ended 31 December 2023, the Group incurred RMB40.4 million in capital expenditure mainly for the upgrade of production lines of the production plants.

### **Inventory analysis**

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, beverage products and other snacks products, as well as raw materials and packaging materials. As at 31 December 2023, the balance decreased by RMB14.8 million as compared with the beginning of the year. The decrease in inventory level was mainly due to the fact that the Group has not yet stocked up on inventories for the 2024 Lunar New Year sales as at 31 December 2023.

The inventory turnover days for the years ended 31 December 2023 and 2022 were 50 days and 53 days, respectively.

## **Trade receivables**

Trade receivables mainly represent the balance due from wholesale distributors and New Sales Channels customers. The Group typically sells its products on credit and grant 180 days credit to most of the wholesale distributors and New Sales Channels customers. The balance decreased by RMB83.1 million or 25.8% as compared with the beginning of the year mainly because an allowance for expected credit losses of approximately RMB78.9 million was made during the year ended 31 December 2023 as a result of slow settlements from or default by certain wholesale distributors. The trade receivable turnover days for the years ended 31 December 2023 and 2022 were 147 days and 200 days, respectively. Subsequent to the year ended 31 December 2023 and up to the date of this announcement, approximately RMB210.6 million of the trade receivables were settled by the wholesale distributors and New Sales Channels customers.

## **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 Purchaser had fully settled the consideration of RMB180,000,000 in accordance with the Transfer Agreement and Jinjiang Construction had fully refunded the RMB40,000,000 land deposit to the Vendor. All the conditions precedent to the Transfer Agreement had been fulfilled, and the completion took place on 6 May 2022. Upon completion, the Vendor ceased to have any interest in the FJ Land Right.



After taking into account the estimated transaction costs directly attributable to the completion of disposal, a loss on disposal of asset classified as held for sale of RMB20,923,000 was recorded during the year ended 31 December 2022.

### **Trade payables**

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

Trade payable turnover days for the years ended 31 December 2023 and 2022 were 37 days and 29 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 the Hong Kong dollar and United States dollar. During the year ended 31 December 2023, the Group did not enter into any 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 exposures of the Group to best preserve the Group's cash value.

### **Charges on assets**

As at 31 December 2023, land use rights and buildings of the Group with carrying values of RMB86,798,000 (31 December 2022: RMB89,280,000) and RMB90,690,000 (31 December 2022: RMB107,195,000) respectively, were pledged to banks as securities for banking facilities granted to the Group.

### **Contingent liabilities**

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

### **Capital commitments**

As at 31 December 2023, the Group had no capital commitments (31 December 2022: Nil).

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 December 2023, the Group had approximately 1,200 employees (including part-time employees) (2022: approximately 1,300 employees) and the total remuneration expenses for the year ended 31 December 2023 amounted to RMB122.0 million. The employees' salaries are reviewed and adjusted annually based on employees' 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.

The emoluments of the Directors and senior management of the Company are decided by the Board with the recommendation of the remuneration committee of the Company, having regard to the Group's operating results, individual performance and comparable market statistics.

## **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 2023.

## **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 2023. 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**

After the COVID-19 pandemic, the consumer sentiment in the PRC and the market demand for the Group's snack products rebounded during the year ended 31 December 2023. The Directors expected that a steady and healthy recovery of the PRC's economy and our business after the COVID-19 pandemic will continue in the short to medium term. To build a solid foundation for mid-to-long term growth, the Group will continue to (i) take proactive steps in marketing its brand image and products in 2024 and onwards, (ii) launch new snacks products from time to time to offer better choices to the consumers and (iii) expand the New Sales Channels coverage in the PRC. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the long 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 the 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 any final dividend for the year ended 31 December 2023 (2022: Nil).

## **AUDIT COMMITTEE**

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rule 3.21 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 provisions in Part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 (which has been renumbered as Appendix C1 with effect from 31 December 2023) to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Yau Tong (chairman of the Audit Committee), Mr. Li Biao and Ms. Guo Li. The Audit Committee has reviewed with the auditor and management the annual results for the year ended 31 December 2023, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 December 2023.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures contained in the preliminary announcement of the Group's results for the year ended 31 December 2023 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 ended 31 December 2023. 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 2023 as set out in the 2023 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 2023. 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 RMB104,754,000 during the year ended 31 December 2023 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB94,369,000. 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 promoting stringent corporate governance practices and procedures with a view to safeguarding the interests of the shareholders of the Company (the “**Shareholders**”) as well as enhancing investor confidence and the Company’s accountability and transparency. The Company sets out its corporate governance practices with reference to Part 2 of the CG Code. During the year ended 31 December 2023, the Company has complied with all the code provisions set forth under Part 2 of the CG Code and there has been no deviation from the code provisions throughout the year ended 31 December 2023.

The Company continues to review its corporate governance practices regularly to ensure compliance with the CG Code.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 (which has been renumbered as Appendix C3 with effect from 31 December 2023) to the Listing Rules and devised its own code of conduct regarding Directors’ dealings in the Company’s securities (the “**Company Code**”) on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2023.

The Company has also established written guidelines on terms no less exacting than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2023.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement of the Company for the year ended 31 December 2023 is published on the website of the Company at [www.lbxxgroup.com](http://www.lbxxgroup.com) and the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 will be dispatched to the Shareholders and be made available at the respective websites in due course.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company for the year ended 31 December 2023 (the “**AGM**”) is proposed to be held on Tuesday, 18 June 2024. A notice convening the AGM will be published and despatched in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the Shareholders’ rights to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 12 June 2024.

## **PROPOSED ADOPTION OF THE NEW BYE-LAWS**

In view of the current revised requirements of the Listing Rules in relation to the paperless listing regime and mandatory electronic dissemination of corporate communications, and taking into consideration the actual situation of the Company, the Board proposes to make amendments (the “**Proposed Amendments**”) to the existing bye-laws of the Company (the “**Existing Bye-laws**”). The major changes to be brought by the Proposed Amendments include, among others: (i) removing the requirement for the Company to serve or deliver a notice of availability to the Shareholders in printed or electronic form after publishing any corporate communication (as defined under the Listing Rules) on the Company’s or the Stock Exchange’s website; (ii) clarifying that, if a notice, document or other corporate communication is given or issued by way of publication on the Company’s or the Stock Exchange’s website, it shall be deemed given or served on the day it first appears on the relevant website (unless a different deemed date of service is provided or required by the Listing Rules); and (iii) other housekeeping amendments, including amendments relating to the Board’s authority to capitalize the Company’s reserve or fund for the issuance of shares under any share incentive scheme or other arrangement approved by the Shareholders. In light of the number of the Proposed Amendments, the Board proposes to adopt the amended and restated bye-laws of the Company (the “**New Bye-laws**”) in substitution for, and to the exclusion of, the Existing Bye-laws.

The Proposed Amendments and the adoption of the New Bye-laws are subject to the approval of the Shareholders by way of a special resolution at the AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the AGM, the Existing Bye-laws shall remain valid.

A circular reflecting, among other matters to be tabled at the AGM, further details of the Proposed Amendments, the adoption of the New Bye-laws and the notice of the AGM will be despatched to the Shareholders in due course.

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

Hong Kong, 28 March 2024

*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 Guo Li, 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](http://www.lbxxgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*