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 2016

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2016	2015	Change
	RMB' million	*RMB' million*	+/(-)%
Key income statement items			
Revenue	**892.9**	1,047.4	–14.8%
Gross Profit	**220.4**	304.8	–27.7%
(LBITDA)/EBITDA[1]	**(156.5)**	121.3	N/A
Loss for the year	**(601.7)**	(338.2)	+77.9%
Key performance indicators			
Gross profit margin	**24.7%**	29.1%	– 4.4%pts
(LBITDA)/EBITDA margin	**–18.1%**	11.6%	– 29.7%pts
Net loss margin	**–67.4%**	–32.3%	– 35.1%pts
Return on equity[2]	**–38.3%**	–17.6%	– 20.7%pts
Loss per share			
– Basic	**RMB(0.45)**	RMB(0.30)	N/A
– Diluted	**RMB(0.45)**	RMB(0.30)	N/A

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

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

The board of directors (the "Board") of Labixiaoxin Snacks Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, together with comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
Revenue	*3*	**892,854**	1,047,368
Cost of sales		**(672,409)**	(742,609)
Gross profit		**220,445**	304,759
Other income	*4*	**14,873**	15,857
Other losses	*5*	**(71,621)**	(15,379)
Impairment loss on property, plant and equipment		**(241,517)**	(317,000)
Impairment loss on loan receivable		**(92,600)**	–
Selling and distribution expenses		**(295,241)**	(200,778)
Administrative expenses		**(156,729)**	(116,241)
Operating loss		**(622,390)**	(328,782)
Finance income		**7,690**	9,114
Finance costs		**(20,930)**	(8,994)
Finance (costs)/income, net	*6*	**(13,240)**	120
Loss before taxation	*7*	**(635,630)**	(328,662)
Taxation	*8*	**33,964**	(9,559)
Loss and total comprehensive loss for the year		**(601,666)**	(338,221)
Loss per share attributable to equity holders of the Company *(RMB per share)*	*9*		
– Basic		**(0.45)**	(0.30)
– Diluted		**(0.45)**	(0.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Land use rights		**137,658**	140,974
Property, plant and equipment		**929,636**	1,217,995
Deposits for property, plant and equipment		**202,895**	95,400
Deferred income tax assets		**92,003**	55,841
		1,362,192	1,510,210
Current assets			
Inventories		**74,165**	97,439
Trade receivables	*11*	**261,778**	194,082
Prepayments and other receivables		**128,564**	75,270
Loan receivable	*12*	**128,500**	220,000
Pledged bank deposits		**50,756**	–
Cash and cash equivalents		**227,303**	144,371
		871,066	731,162
Total assets		**2,233,258**	2,241,372
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**470,030**	405,030
Share premium		**615,656**	563,056
Other reserves		**111,664**	93,266
(Accumulated losses)/retained earnings		**(57,679)**	554,926
Total equity		**1,139,671**	1,616,278

	Notes	**2016** *RMB'000*	2015 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**31,540**	31,429
Borrowings	*14*	**200,000**	–
		231,540	31,429
Current liabilities			
Trade and other payables	*13*	**310,982**	313,352
Borrowings	*14*	**551,065**	276,018
Current income tax liabilities		**–**	4,295
		862,047	593,665
Total liabilities		**1,093,587**	625,094
Total equity and liabilities		**2,233,258**	2,241,372
Net current assets		**9,019**	137,497
Total assets less current liabilities		**1,371,211**	1,647,707

NOTES:

1 GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are manufacturing and 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").

These consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all International Accounting Standards ("IAS") and related interpretations, as issued by the International Accounting Standards Board (the "IASB").

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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

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

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

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

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

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

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations ("new IFRSs") issued by the IASB, which are effective for the Company's financial year beginning 1 January 2016. A summary of the new IFRSs are set out as below:

IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
IFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation
IFRS 14	Regulatory Deferral Accounts
IAS 1 (Amendments)	Disclosure Initiative
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants
IAS 27 (Amendments)	Equity Method in Separate Financial Statements
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle

The nature of the impending changes in accounting policy on adoption is described below.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendment to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The application of these amendments to IFRS 11 has had no material impact on the Group's consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss.

The standard requires disclosures on the nature of, and risk associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. The standard is not expected to have impact on the Company as the Company is not a first time adopter of IFRSs.

The directors of the Company do not anticipate that the application of IFRS 14 will have material impact on the Group's consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

In December 2014, amendments to IAS 1 was issued to further encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss.

The directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material effect on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to use the equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

(i) At cost

(ii) In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or

(iii) Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred. In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First time Adoption of International Financial Reporting Standards.

Entities already applying IFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments will not be applicable to the Company's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

IFRS 2 (Amendments)	Classification and Measurement of share-based Payment Transaction[2]
IFRS 4 (Amendments)	Insurance Contracts[2]
IFRS 9	Financial Instruments[2]
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 15 (Amendments)	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
IAS 7 (Amendments)	Disclosure Initiative[1]
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017, with early application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with early application permitted.

3 Effective for annual periods beginning on or after 1 January 2019, with early application permitted.

4 Effective for annual periods beginning on or after a date to be determined

Amendments to IAS 7 Disclosure Initiative

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities by improving information about (i) changes in an entity's liabilities that relate to financing activities in the statement of cash flows; and (ii) the availability of cash and cash equivalents and restrictions affecting an entity's decisions to use the cash and cash equivalent balances (including foreign exchange controls or tax implications associated with cash repatriation).

The IAS7 (Amendments) defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The proposed amendments would require an entity to disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining, or losing, control of subsidiaries or other businesses; and (iii) other non-cash changes (for example, the effect of changes in foreign exchange rates and changes in fair values).

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Also, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of share-based Payment Transaction

The amendments clarify the accounting for the following classification and measurement issues under IFRS 2:

- Measurement of cash-settled share-based payments

  The amendments clarify that the fair value of liabilities for cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments i.e. using the modified grant date method. Therefore, in measuring the liability:

- Market and non-vesting conditions are taken into accounting in measuring its fair value; and

- The number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

- Classification of share-based payments settled net of tax withholdings

  The amendments introduce an exception so that a share-based payment transaction with net settlement feature for withholding an amount to cover the employee's tax obligations is classified as equity-settled in its entirety when certain conditions are met, even though the entity is then required to transfer cash (or other assets) to the tax authority to settle the employee's tax obligation.

- Accounting for a modification of a share-based payment from cash-settled to equity-settled

  The amendments clarify that on such a modification the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured at its fair value and recognised to the extent that the goods or services have been received up to that date

  Any difference between the carrying amount of the liability derecognized and the amount recognised in equity at the modification date is recognised in profit or loss immediately.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

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

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

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

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

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

During the year ended 31 December 2016, none of the individual customer account for 10% or more of the Group's external revenue (2015: none). As at 31 December 2016 and 2015, majority of the Group's assets, liabilities and capital expenditure are located and utilised in the PRC.

	Year ended 31 December 2016				
	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	**595,988**	**162,280**	**62,332**	**72,254**	**892,854**
Cost of sales	**(453,280)**	**(116,142)**	**(46,495)**	**(56,492)**	**(672,409)**
Gross profit	**142,708**	**46,138**	**15,837**	**15,762**	**220,445**
Results of reportable segments	**(182,966)**	**(42,136)**	**(80,545)**	**(23,538)**	**(329,185)**

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

Results of reportable segments	**(329,185)**
Corporate income	**7,115**
Corporate expenses	**(300,320)**
Operating loss	**(622,390)**
Finance income	**7,690**
Finance costs	**(20,930)**
Loss before taxation	**(635,630)**
Taxation	**33,964**
Loss for the year	**(601,666)**

Amounts included in the measure of segment profit or loss:

Amortisation of land use rights	**2,381**	**–**	**935**	**–**	**3,316**
Depreciation of property, plant and equipment	**96,100**	**–**	**24,884**	**–**	**120,984**
Impairment loss on property, plant and equipment	**196,381**	**–**	**45,136**	**–**	**241,517**
Loss on disposal of property, plant and equipment	**4,548**	**–**	**62,655**	**–**	**67,203**

	Year ended 31 December 2015				
	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	746,901	128,490	95,129	76,848	1,047,368
Cost of sales	(490,888)	(82,225)	(104,233)	(65,263)	(742,609)
Gross profit/(loss)	256,013	46,265	(9,104)	11,585	304,759
Results of reportable segments	130,394	24,655	(378,381)	(1,340)	(224,672)

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

Results of reportable segments	(224,672)
Corporate income	15,838
Corporate expenses	(119,948)
Operating loss	(328,782)
Finance income	9,114
Finance costs	(8,994)
Loss before taxation	(328,662)
Taxation	(9,559)
Loss for the year	(338,221)

Amounts included in the measure of segment profit or loss:

	Jelly products *RMB'000*	Confectionary products *RMB'000*	Beverages products *RMB'000*	Other snacks products *RMB'000*	Reportable segments total *RMB'000*
Amortisation of land use rights	2,381	–	935	–	3,316
Depreciation of property, plant and equipment	78,323	–	40,952	2,589	121,864
Impairment loss on property, plant and equipment	–	–	317,000	–	317,000
Loss on disposal of property, plant and equipment	4,207	–	–	139	4,346

Geographical information

During the years ended 31 December 2016 and 2015, the Group mainly operated in the PRC and most of the Group's revenue are derived from the PRC and most of the assets of the Group are located in the PRC as at 31 December 2016 and 31 December 2015. No analysis of the Group's result and assets by geographical area is disclosed.

4 OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Rental income	**9,796**	9,020
Government subsidy	**1,608**	3,382
Sundry income	**8**	–
Gain on sales of raw materials and scrap materials	**3,461**	3,455
	14,873	15,857

5 OTHER LOSSES

	2016	2015
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(67,203)**	(4,346)
Net exchange losses	**(4,418)**	(11,033)
	(71,621)	(15,379)

6 FINANCE (COSTS)/INCOME, NET

	2016	2015
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank borrowings	**(20,930)**	(8,994)
Total finance costs	**(20,930)**	(8,994)
Finance income:		
Interest income on bank deposits	**1,061**	2,397
Interest income on loan receivable	**6,629**	6,717
Total finance income	**7,690**	9,114
Finance (costs)/income, net	**(13,240)**	120

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Auditors' remuneration	**2,586**	4,174
Staff costs (including directors' remuneration)		
– Salaries and bonuses	**108,534**	111,241
– Employer's contribution to defined contribution plans	**13,198**	10,225
– Employee share-based payment	**7,459**	7,914
Advertising and promotion expenses	**235,695**	139,281
Amortisation of land use rights	**3,316**	3,316
Depreciation of property, plant and equipment	**120,984**	121,864
Impairment loss on property, plant and equipment	**241,517**	317,000
Impairment loss on loan receivable	**92,600**	–
Write-off of inventories	**33,891**	–
Cost of inventory sold	**480,049**	561,850
Freight and transportation expenses	**3,780**	6,550

8 TAXATION

	2016	2015
	RMB'000	*RMB'000*
Current income tax – PRC Enterprise Income Tax	**2,087**	37,170
Deferred income tax, net	**(36,051)**	(27,611)
	(33,964)	9,559

Hong Kong Profits Tax, Bermuda and BVI Income Tax

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 (2015: Nil).

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at the rate of 25% (2015: 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.

	2016	2015
Net loss attributable to the equity holders of the Company *(RMB'000)*	**(601,666)**	(338,221)
Weighted average number of ordinary shares in issue for basic loss per share *('000)*	**1,327,333**	1,128,977
Basic loss per share *(RMB per share)*	**(0.45)**	(0.30)

(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 auti-dilutive. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

10 DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

11 TRADE RECEIVABLES

The Group's revenue are generally on credit term ranging from 30 to 90 days. As at 31 December 2016, the ageing analysis of trade receivables, based on invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Less than 30 days	**106,381**	70,527
31 days – 90 days	**148,936**	115,978
Over 90 days	**6,461**	7,577
	261,778	194,082

As at 31 December 2016, trade receivables of approximately RMB6,461,000 (2015: RMB7,577,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of these receivables is as follows:

	2016	2015
	RMB'000	*RMB'000*
Past due by less than 3 months but not impaired	**6,461**	7,577

During the year ended 31 December 2016, no trade receivables were impaired (2015: Nil). As at 31 December 2016 and 2015, no trade receivables are considered to be impaired.

The carrying amounts of trade receivables approximate their fair values.

12 LOAN RECEIVABLE

On 19 June 2015, a wholly-owned subsidiary of the Group (the "Lender") entered into an entrusted loan agreement with a PRC bank, as the lending agent ("Lending Bank"), and an independent third party (the "Borrower"), pursuant to which the Lender, agreed to grant the entrusted loan in the principal amount of RMB250,000,000 (the "Entrusted Loan") to the Borrower (the "Entrusted Loan Agreement"). The Entrusted Loan is secured by (i) a personal guarantee of RMB250,000,000 provided by a controlling shareholder of the Borrower; (ii) a corporate guarantee of RMB228,783,000 given by a fellow subsidiary of the Borrower; and (iii) certain land parcels in the PRC valued at RMB30,310,000, as security to the obligations of the Borrower under the Entrusted Loan Agreement. The Entrusted Loan has a term of one year and bearing interest at 0.5% per month.

As of 31 December 2016, the Borrower has drawn up an aggregate amount of RMB220,000,000 (31 December 2015: RMB220,000,000) of the Entrusted Loan with interests accrued in the amount of approximately RMB1,100,000 for the period from 19 May 2016 to 18 June 2016 (the "Outstanding Amounts"). The Entrusted Loan was matured and shall be repaid by the Borrower on 18 June 2016. However, up to the date of these financial statements, the Borrower has not repaid the Outstanding Amounts.

The Lending Bank had initiated a legal proceeding against the Borrower and guarantors on 10 March 2017 (Note 15). Based on the best estimate taking into account all the relevant information currently available to the Company, the Company anticipates that the recoverable amount for the Entrusted Loan would be approximately RMB128,500,000, and an impairment of approximately RMB92,600,000 has been provided in the consolidated financial statements of the Group for the year ended 31 December 2016.

In order to estimate a reliable recoverable amount of the Entrusted Loan as at 31 December 2016, the directors of the Company have considered the market value of the pledged land and buildings. Although the Entrusted Loan was also secured by the personal and corporate guarantees, the directors of the Company at this stage are unable to ascertain whether the guarantors have the ability to fully repay the Outstanding Amounts. Hence, the impairment was provided.

13 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**74,202**	96,900
Bills payable *(Note (i))*	**165,840**	–
Receipt in advance *(Note (ii))*	**–**	115,248
Accrued sales rebates	**15,014**	18,843
Other accrued expenses	**12,142**	12,152
Directors' fees and emoluments payable	**6,265**	5,928
Other payables and sundry creditors	**37,519**	64,281
	310,982	313,352

Note:

(i) Bills payable amounting to RMB165,840,000 (2015: Nil) were secured by pledged bank deposits of approximately RMB50,756,000.

The bills payable were with maturity period within 1 year.

(ii) Pursuant to a placing agreement entered into by the Company and Guoyuan Capital (Hong Kong) Limited, as the placing agent, on 22 December 2015, the Company placed an aggregate of 200,000,000 new shares of the Company through the placing agent to not fewer than six placees at HK$0.70 per share (the "Placing"). The net proceeds from the Placing of RMB115,248,000 was received by the Company on 30 December 2015 and the issuance of new shares to the placees was completed on 4 January 2016 (the "Completion Date"). The amount of receipt in advance as at 31 December 2015 was credited to the Company's share premium account on the Completion Date.

The credit periods granted by suppliers generally range from 30 to 60 days. As at 31 December 2016, the ageing analysis of trade payables is as follows:

	2016	2015
	RMB'000	*RMB'000*
Less than 30 days	**66,972**	82,220
31 days – 90 days	**7,230**	14,217
Over 90 days	**–**	463
	74,202	96,900

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

14 BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Secured bank borrowings	**385,055**	33,822
Unsecured bank borrowings	**366,010**	242,196
Total bank borrowings	**751,065**	276,018
Carrying amount of bank borrowings wholly repayable:		
On demand or within 1 year	**551,065**	276,018
More than one year, but not exceeding two years	**–**	–
More than two years, but not more than five years	**200,000**	–
	751,065	276,018
Less: amounts show under current liabilities	**(551,065)**	(276,018)
Amount classified as non-current liabilities	**200,000**	–

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

	2016	2015
	RMB'000	*RMB'000*
RMB	**695,090**	75,000
HKD	**3,555**	3,822
USD	**52,420**	197,196
	751,065	276,018

As at 31 December 2016, the bank borrowing of HKD3,950,000 (equivalent to approximately RMB3,555,000) (2015: RMB3,822,000) was secured by the land and buildings of approximately RMB7,979,000 (2015: RMB8,491,000) and charged at a floating interest rate of HIBOR + 2.25% which was re-pricing every month.

As at 31 December 2016, the short-term secured bank loans of approximately RMB79,500,000 (2015: RMB30,000,000) were secured by corporate guarantee by inter-group companies, charged at fixed interest rates of 4.35% to 5.22% (2015: 5.98%) per annum.

As at 31 December 2016, the short-term secured bank loans of approximately RMB79,000,000 were secured by corporate guarantee by inter-group companies, charged at floating interest rates of LIBOR + 0.57% to LIBOR + 0.70% which was repricing every 12 months.

As at 31 December 2016, the short-term secured bank loans of approximately RMB165,000,000 were secured by corporate guarantee by inter-group companies and personal guarantees of Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, charged at fixed interest rates of 5.22% per annum.

As at 31 December 2016, the short-term secured bank loans of approximately RMB33,000,000 were secured by corporate guarantee by inter-group companies and personal guarantees of Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, charged at floating interest rates of LPR + 0.92% which was repricing every 3 months.

As at 31 December 2016, a short-term secured bank loan of approximately RMB25,000,000 was secured by corporate guarantee by an inter-group company and land and buildings of approximately RMB128,226,000, charged at fixed interest rates of 5.57% per annum.

On 9 March 2015, the Company entered into a loan agreement with a bank in relation to a US$50,000,000 (equivalent to approximately RMB310,000,000) loan facility (the "Loan"). As at 31 December 2015, the Company has drawn up an aggregate amount of equivalent to approximately RMB197,196,000. The Loan was unsecured, repayable within 12 months and charged at floating interest rate of LIBOR + 1.7% which was re-pricing every 3 months. The Loan was fully settled in 2016.

On 11 March 2016, the Company entered into a new loan agreement with a bank in relation to a US$17,000,000 (equivalent to approximately RMB119,609,000) loan facility (the "New Loan"). As at 31 December 2016, the Company has drawn up an aggregate amount of equivalent to approximately RMB52,420,000. The New Loan was unsecured, repayable within 12 months and charged at floating interest rate of LIBOR + 1.0% which was re-pricing every 3 months.

As at 31 December 2016, short-term unsecured bank loans of RMB113,590,000 (2015: RMB45,000,000) were charged at fixed interest rate of 5.00% to 5.79% (2015: 6.06%) per annum.

As at 31 December 2016, long-term unsecured bank loans of RMB200,000,000 were charged at fixed interest rate of 5.70% per annum.

The carrying amount of all borrowings approximate their fair values.

15 EVENTS AFTER THE REPORTING PERIOD

(a) In relation to the Entrusted Loan Agreement entered on 19 June 2015, on 10 March 2017, the Lending Bank initiated a legal proceeding (the "Legal Proceeding") with the Quanzhou Intermediate People's Court in the People's Republic of China against the Borrower as well as its fellow subsidiary and its controlling shareholder (i.e. Mr. Hong) (collectively, the "Defendants"), claiming for:

  (i) repayment of (a) the principal amount of the Entrusted Loan in the amount of RMB220,000,000; together with (b) the interests to be accrued for the period from 21 May 2016 up till the date of actual repayment;

  (ii) forced sales of the pledged assets (i.e. the land situated in Luojiang District, Quanzhou City, Fujian Province) charged by the Borrower to the Lending Bank pursuant to the Entrusted Loan Agreement;

  (iii) that the fellow subsidiary of the Borrower (being the entity which provided the corporate guarantee as security for the Entrusted Loan) and Mr. Hong (the controlling shareholder of the Borrower and who provided the personal guarantee as security for the Entrusted Loan) be jointly liable for the repayment obligation under the Entrusted Loan Agreement; and

  (iv) the Defendants be liable to settle the costs for the Legal Proceeding.

(b) On 1 March 2017, the Group entered into an loan agreement with Mr. Zheng Yu Long, the executive director of the Company, for a loan of approximately RMB41,000,000. The amount is unsecured, repayable in December 2017 and bears interest at 2% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2016, Labixiaoxin Snacks Group Limited (the "Company" and together with its subsidiaries, the "Group") has reported revenue of approximately RMB892.9 million, representing a decrease of approximately 14.8% as compared with the corresponding period of last year. The decline in the reported revenue was mainly due to poor consumer sentiment and overall economic slowdown in the People's Republic of China (the "PRC") as well as the negative impacts brought by the Toxic Gelatin Incidence (as defined below) happened in mid-March 2014. With the consumer sentiment in the PRC remaining weak and the overall PRC economy being slowed down since 2014, there has been a continual weakening of the market demand for the Group's snack products. The weak sales performance in most categories of the Group's products, in particular the jelly products, has inevitably slashed the Group's profit margins. In addition, the Group's business has also been affected by the news reported by certain media in the PRC in mid-March 2014, including CCTV, in relation to the alleged contamination of gummy candy of "Labixiaoxin" and other brands by toxic gelatin used in the production process (the "Toxic Gelatin Incidence"). Despite the Fujian Food and Drug Administration（福建省食品藥品監督管理局）had promptly confirmed that "Labixiaoxin" products are in compliance with the relevant food quality standards, the Toxic Gelatin Incidence remains casting adverse impacts on the Group's sales performance during the year ended 31 December 2016. The Group's gross profit for the year ended 31 December 2016 fell by approximately 27.7% as compared with the corrsponding period in 2015.

For the year ended 31 December 2016, the Group recorded a net loss of RMB601.7 million, an increase of approximately 77.9% from the net loss of RMB338.2 million in the same period last year.

REVENUE

Revenue of the Group decreased by approximately 14.8% to RMB892.9 million for the year ended 31 December 2016 when compared with the corresponding period in 2015. During the year ended 31 December 2016, the Group has exerted immense efforts in marketing and promotion in order to enhance consumption sentiment and further promote the Group's brand image. Advertising and promotion expenses increased by approximately 69.2% from RMB139.3 million for the year ended 31 December 2015 to RMB235.7 million for the year ended 31 December 2016. As at 31 December 2016, the Group had a total number of 449 distributors (as at 31 December 2015: 458). The directors of the Company (the "Directors") believe that these marketing efforts will bring positive impacts to our sales performance in the medium term.

Jelly products

Sales of jelly products decreased by approximately 20.2% from RMB746.9 million for the year ended 31 December 2015 to RMB596.0 million for the year ended 31 December 2016, primarily due to the weak consumption sentiments in the PRC as well as the negative impacts brought by the Toxic Gelatin Incidence. During the year ended 31 December 2016, the news relating to the Toxic Gelatin Incidence were being posted in certain PRC internet social media again. As a result, there was approximately RMB76.4 million sales return from the Group's distributors during the year ended 31 December 2016 and the majority of which were jelly products. Although the Group subsequently proved that the returned products were free of quality issues and was able to re-sell some of the returned products through other channels, the Group was still required to write-off approximately RMB23.9 million. Due to the aforesaid reasons, revenue attributable to jelly snacks decreased by approximately 28.1% to RMB354.5 million while revenue attributable to jelly beverages decreased by approximately 4.9% to RMB241.5 million.

Confectionary products

Confectionary products is the only category of products which recorded a growth in revenue during the year ended 31 December 2016. Sales of confectionary products increased by approximately 26.3% from RMB128.5 million for the year ended 31 December 2015 to RMB162.3 million for the year ended 31 December 2016. The increase was mainly due to more orders for festive confectionary products placed by the distributors in December 2016 for the Chinese New Year in January 2017. In addition, certain of confectionary products are cater for overseas market which is less affected by the weak consumer sentiment in the PRC as well as the negative impacts brought by the Toxic Gelatin Incidence.

Beverage products

Sales of beverages products decreased by approximately 34.5% to RMB62.3 million for the year ended 31 December 2016, representing approximately 7.0% of the total revenue of the Group. Although there was a decrease in sales of beverages products during the year under review, the gross loss margin of the segment has improved from a gross loss margin of approximately 9.6% in the year ended 31 December 2015 to gross profit margin of 25.4% in the year under review. Improvement in gross profit margin was mainly due to the Group's effort made in last year to adjust the product mix of the beverages segment which began to materialize.

Despite the improvement in the gross profit margin for the beverages segment, the sales and production volumes of the beverages products did not reach the optimum level of the production capacity. The Group continued to launch new beverages products with an objective to meet the needs of different customers. In late 2015, the Group launched the fruits and vegetables beverages products to provide a new and healthy choice to consumers. Whilst the Company remains confident that the Group's new beverages products are of decent quality, it is uncertain whether these products will be well perceived by the market and whether it will bring immediate financial contribution to the Group.

Other snacks products

For the year ended 31 December 2016, sales of other snacks products dropped by approximately 6.0% to RMB72.3 million which was mainly due to weakened market demand on traditional snack products as a result of poor consumers sentiment and overall economic slowdown in the PRC.

COST OF SALES AND GROSS PROFIT

Cost of sales decreased by approximately 9.5% to RMB672.4 million for the year ended 31 December 2016. The decrease was mainly attributable to the corresponding decrease in revenue. Gross profit dropped by approximately 27.7% to RMB220.4 million for the year ended 31 December 2016 which was mainly due to certain of the goods returned from distributors were being resold at deep discounts. In addition, the purchase prices of sugar and milk powder increased by more than 30% during the year under review which also had negative impact on our gross profit margin.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 47.1% to RMB295.2 million for the year ended 31 December 2016, which was primarily due to an increase of advertising and promotion expenses being spent in order to enhance consumption sentiment and further promote the Group's brand image. Advertising and promotion expenses increased by approximately 69.2% to RMB235.7 million during the year under review.

The general market demand for the Group's products has remained weak as a result of the Toxic Gelatin Incidence and the consumption sentiments in the PRC remained sluggish. While the Group will continue to exercise tight costs control on advertising and promotion expenses, the Group will continue to enhance its media exposure and arrange on-site promotion for new or core products with an objective to bring positive message to its consumers and enhance brand recognition within the market.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately 34.8% to RMB156.7 million for the year ended 31 December 2016, which was mainly due to the one-off inventories write-off of RMB33.9 million. During the year under review, there was a write-off of inventories of approximately RMB23.9 million as a result of certain goods of the Group being returned by distributors and approximately RMB10.0 million due to change in food additives disclosure requirements in the PRC.

OTHER LOSSES

Balance primarily comprised of loss on disposal of property, plant and equipment and net exchange losses. During the year under review, the Group had disposed of the property, plant and equipment in relation to our canned beverages production lines in Anhui production plant due to unsatisfactory sales performance in the past few years. As a result, a loss on disposal of the property, plant and equipment of the canned beverages production lines of approximately RMB62.7 million was recorded for the year ended 31 December 2016.

IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

With the consumer sentiment in the PRC remaining weak and the overall PRC economy being slowed down since 2014, there has been a continual weakening of the market demand for the Group's snack products. In view of the significant operating loss incurred during the year and the uncertainties in the prospect of the Group's business, the Group engaged an independent valuer to conduct impairment reviews on the Group's business segments and noted an impairment loss of approximately RMB241.5 million on the property, plant and equipment was required as at 31 December 2016.

IMPAIRMENT LOSS ON LOAN RECEIVABLE

According to the Entrusted Loan Agreement (as defined in the paragraph headed "Entrusted loan receivable" below), the Entrusted Loan (as defined in the paragraph headed "Entrusted loan receivable" below) matured and shall be repaid by the Borrower on 18 June 2016. However, up to the date of this announcement, the Borrower has not repaid the Outstanding Amounts (as defined in the paragraph headed "Entrusted loan receivable" below). Based on the best estimate taking into account all the relevant information currently available to the Company, the Company anticipates that the recoverable amount for the Entrusted Loan would be approximately RMB128.5 million, and a provision for impairment of approximately RMB92.6 million has been made in the consolidated financial statements of the Group for the year ended 31 December 2016.

INCOME TAX EXPENSE

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

NET LOSS FOR THE YEAR

The Group recorded a net loss of RMB601.7 million for the year ended 31 December 2016 (2015: RMB338.2 million). The increase in net loss was primarily attributable to (i) the continual weakening of the market demand on traditional snack products of the Group affected by poor consumers sentiment and overall economic slowdown in the PRC; (ii) a provision for impairment of property, plant and equipment of approximately RMB241.5 million recognized for the year ended 31 December 2016 due to the decline in the expected performance for the Group's business; (iii) a provision for impairment of loan receivable in the amount of approximately RMB92.6 million due to default by the borrower of the outstanding entrusted loan pursuant to an entrusted loan agreement dated 19 June 2015; (iv) an increase in marketing and promotional expenses by approximately RMB96.4 million as compared to the year ended 31 December 2015 in order to enhance consumption sentiment and further promote the Group's brand image; and (v) a write-off of raw materials and finished goods of approximately RMB33.9 million as a result of certain goods of the Group being returned by customers and change in food additives disclosure requirements in the PRC.

FINANCIAL REVIEW

Financial resources and liquidity

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

As at 31 December 2016, the cash and bank balances amounted to RMB227.3 million which was RMB82.9 million more than the balance as at 31 December 2015. The increase in cash and bank balances was mainly due to the new bank borrowings of RMB783.6 million secured during the year ended 31 December 2016, which was offset by the capital expenditures of RMB260.0 million incurred by the Group and repayment of matured bank borrowings of RMB308.6 million for the year ended 31 December 2016.

As at 31 December 2016, the Group's gearing ratio (total borrowings divided by total equity) was 65.9% (as at 31 December 2015: 17.1%). The Group maintained sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group recorded net cash outflow from operating activities of RMB78.2 million for the year ended 31 December 2016 (2015: inflow of RMB62.5 million). The Group has spent RMB242.3 million in investing activities for the year ended 31 December 2016 mainly for the upgrade of production lines of the production plants. The Group has net cash inflow from financing activities of RMB403.4 million for the year ended 31 December 2016 which was mainly due to new bank borrowings secured during the year under review offset by the repayment of matured bank borrowings.

Capital expenditure

During the year ended 31 December 2016, the Group incurred RMB260.0 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 2016, the balance decreased by RMB23.3 million from the beginning of the year. The inventories turnover days for the years ended 31 December 2016 and 2015 were 42 days and 33 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors. The Group typically sells its products on credit and grant 30 to 90 days credit to most of the wholesale distributors. The balance increased by RMB67.7 million from the beginning of the year mainly due to better sales performance in December 2016 than in the corresponding period of 2015. The trade receivable turnover days for the years ended 31 December 2016 and 2015 were 91 days and 62 days, respectively. Subsequent to the year ended 31 December 2016 and up to the date of this announcement, approximately RMB233.6 million of the trade receivables were settled by the wholesale distributors.

Entrusted loan receivable

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

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

As of 31 December 2016, the Borrower has drawn up an aggregate amount of RMB220 million (31 December 2015: RMB220 million) of the Entrusted Loan with interests accrued in the amount of approximately RMB1.1 million for the period from 19 May 2016 to 18 June 2016 (the "Outstanding Amounts"). The Entrusted Loan matured and shall be repaid by the Borrower on 18 June 2016. However, up to the date of this announcement, the Borrower has not repaid the Outstanding Amounts.

On 10 March 2017, the Lending Bank initiated a legal proceeding (the "Legal Proceeding") with the Quanzhou Intermediate People's Court in the People's Republic of China against the Borrower as well as its fellow subsidiary and its controlling shareholder (i.e. Mr. Hong) (collectively, the "Defendants"), claiming for:

(i) repayment of (a) the principal amount of the Entrusted Loan in the amount of RMB220 million; together with (b) the interests to be accrued for the period from 21 May 2016 up till the date of actual repayment;

(ii) forced sales of the assets (i.e. the land situated in Luojiang District, Quanzhou City, Fujian Province) charged by the Borrower to the Lending Bank pursuant to the Entrusted Loan Agreement;

(iii) that the fellow subsidiary of the Borrower (being the entity which provided the corporate guarantee as security for the Entrusted Loan) and Mr. Hong (the controlling shareholder of the Borrower and who provided the personal guarantee as security for the Entrusted Loan) be jointly liable for the repayment obligation under the Entrusted Loan Agreement; and

(iv) the Defendants be liable to settle the costs for the Legal Proceeding.

Based on the best estimate taking into account all the relevant information currently available to the Company, the Company anticipates that the recoverable amount for the Entrusted Loan would be approximately RMB128.5 million, and a provision for impairment of approximately RMB92.6 million has been made in the consolidated financial statements of the Group for the year ended 31 December 2016.

As at the date of this announcement, the Legal Proceeding is still at a preliminary stage and further announcement(s) will be made by the Company as and when appropriate.

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

Trade payables

Trade payables mainly represent the balances due to the Group's suppliers who generally grant credit terms ranging from 30 days and 60 days to the Group. Trade payables turnover days for the years ended 31 December 2016 and 2015 were 80 days and 52 days respectively.

Bills payable

As at 31 December 2016, bills payable of the Group amounting to RMB165.8 million were secured by pledged bank deposits of RMB50.8 million. As at 31 December 2016, the bills payable were with maturity period within 1 year.

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 2016, 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 2016, land and building of the Group in Hong Kong with net book value of RMB8.0 million was pledged as security for mortgage loan (31 December 2015: RMB8.5 million).

As at 31 December 2016, land and buildings of the Group in the PRC with net book value of RMB128.2 million was pledged as security for a short-term bank loan (31 December 2015: Nil).

Contingent liabilities

As at 31 December 2016, the Group had no contingent liabilities (31 December 2015: Nil).

Issue of new shares & use of proceeds

Pursuant to a placing agreement (the "Placing Agreement") entered into by the Company and Guoyuan Capital (Hong Kong) Limited as the placing agent, on 22 December 2015, the Company placed an aggregate of 200,000,000 new shares of the Company through the placing agent to not fewer than six placees at HK$0.70 per share (the "Placing"). The net proceeds of RMB115,248,000 was received by the Company on 30 December 2015 and the issuance of new shares to the placees was completed on 4 January 2016.

The placing shares placed under the Placing represent (i) approximately 17.7% of the existing issued share capital of the Company as at the date of the Placing Agreement, and (ii) approximately 15.0% of the issued share capital of the Company as enlarged by the issue of the placing shares. The placing shares under the Placing have a market value of HK$158.0 million. The placing price of HK$0.70 per placing share represents: (i) a discount of approximately 11.4% to the closing price of HK$0.79 per Share as quoted on the Stock Exchange as at the date of the Placing Agreement; (ii) a discount of approximately 10.9% to the average closing price of HK$0.786 per Share as quoted on the Stock Exchange for the last five trading days up to and including 21 December 2015, the last trading day immediately preceding the date of the Placing Agreement; and (iii) a discount of approximately 11.2% to the average closing price of HK$0.788 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 21 December 2015, the last trading day immediately preceding the date of the Placing Agreement. The net proceeds of the Placing (after deducting all applicable costs and expenses of the Placing) was approximately RMB115.2 million. As stated in the announcement of the Company dated 22 December 2015, the Company intended to use the net proceeds raised from the placement on the Group's business development and as general working capital of the Group. All the net proceeds from the Placing were utilized during the year ended 31 December 2016 for the Group's business development and general working capital of the Group in accordance with the intended use of proceeds.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2016, the Group had approximately 2,130 employees (including part-time employees) (2015: 2,020 employees) and the total remuneration expenses for the year ended 31 December 2016 amounted to RMB129.2 million, including amortisation cost of share options in the amount of RMB7.5 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.

On 14 November 2016, the Group granted 30,000,000 share options to certain employees of the Group with an exercise period from 15 November 2016 to 14 November 2021 at an exercise price of HK$0.47 per share. All these share options were immediately vested. As at 31 December 2016, none of these share options has been exercised by the grantees.

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 2016.

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 2016 (2015: 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

The Toxic Gelatin Incidence continued to cast negative impacts on the Group's business in 2016 as it directly affected the Group's brand image and consumer sentiments on jelly, candies and certain traditional snacks within the community. The Directors considered that the negative impacts of the Toxic Gelatin Incidence to the Group's business will not completely vanish in 2017. To minimize the negative impacts brought by the Toxic Gelatin Incidence and to rebuilt our brand image, the Group will be proactive in marketing its brand image and products in 2017, including the launch of advertisements through different media channels such as sponsoring popular TV programs, participating at various food fairs and exhibitions, and collaborating with distributors and retailers for on-site promotion activities etc. The Group will also launch new jelly and beverages products to offer a better choice to the consumers. 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 consumer's products sector of the PRC remains challenging given lingering concerns over PRC's slowing economy, however, 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 Board has resolved not to declare any final dividend for the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in compliance with Rule 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Yau Tong (chairman), Mr. Li Zhi Hai and Ms. Sun Kam Ching. The Audit Committee has reviewed with management and the Group's auditor the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting matters for the year ended 31 December 2016. The Audit Committee has also reviewed the annual results for the year ended 31 December 2016.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group's results for the year ended 31 December 2016 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 2016 set out in 2016 Annual Report of the Company will be an unqualified audit opinion.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote stringent corporate governance practices and procedures with a view to safeguard the interests of shareholders and enhance investor confidence and the Company's accountability and transparency. The Company set out its corporate governance practices by reference to the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year ended 31 December 2016, 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 2016.

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 2016 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 2016 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, 27 March 2017

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

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