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 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2017	2016	Change
	RMB' million	*RMB' million*	+/(-)%
Key income statement items			
Revenue	**902.8**	892.9	+1.1%
Gross Profit	**203.2**	220.4	–7.8%
(LBITDA)/EBITDA[1]	**(111.8)**	(156.5)	–28.6%
Loss for the year	**(289.4)**	(601.7)	–51.9%
Key performance indicators			
Gross profit margin	**22.5%**	24.7%	–2.2%pts
(LBITDA)/EBITDA margin	**–12.4%**	–18.1%	+5.7%pts
Net loss margin	**–32.1%**	–67.4%	+35.3%pts
Return on equity[2]	**–27.4%**	–38.3%	+10.9%pts
Loss per share			
– Basic	**RMB(0.22)**	RMB(0.45)	–51.1%
– Diluted	**RMB(0.22)**	RMB(0.45)	–51.1%

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

2. Return on equity is calculated using (loss)/profit 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 2017, together with comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	3	**902,795**	892,854
Cost of sales		**(699,550)**	(672,409)
Gross profit		**203,245**	220,445
Other income	4	**15,095**	14,873
Other losses, net	5	**(78,182)**	(71,621)
Impairment loss on property, plant and equipment		**(94,535)**	(241,517)
Impairment loss on loan receivable	12	**–**	(92,600)
Selling and distribution expenses		**(233,691)**	(295,241)
Administrative expenses		**(99,169)**	(156,729)
Operating loss		**(287,237)**	(622,390)
Finance income		**2,070**	7,690
Finance costs		**(42,725)**	(20,930)
Finance costs, net	6	**(40,655)**	(13,240)
Loss before taxation	7	**(327,892)**	(635,630)
Taxation	8	**38,487**	33,964
Loss and total comprehensive loss for the year		**(289,405)**	(601,666)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Land use rights		**134,342**	137,658
Property, plant and equipment		**944,129**	929,636
Deposits for property, plant and equipment		**41,170**	202,895
Deferred income tax assets		**130,490**	92,003
		1,250,131	1,362,192
Current assets			
Inventories		**63,976**	74,165
Trade receivables	*11*	**305,946**	261,778
Prepayments and other receivables		**131,788**	128,564
Loan receivable	*12*	**128,500**	128,500
Pledged bank deposits		**43,300**	50,756
Cash and cash equivalents		**72,833**	227,303
		746,343	871,066
Total assets		**1,996,474**	2,233,258
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**470,030**	470,030
Share premium		**615,656**	615,656
Other reserves		**102,126**	111,664
Accumulated losses		**(337,546)**	(57,679)
Total equity		**850,266**	1,139,671

	Notes	2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**31,540**	31,540
Bank borrowings	*14*	**200,000**	200,000
		231,540	231,540
Current liabilities			
Trade and other payables	*13*	**331,429**	310,982
Bank borrowings	*14*	**583,239**	551,065
		914,668	862,047
Total liabilities		**1,146,208**	1,093,587
Total equity and liabilities		**1,996,474**	2,233,258
Net current (liabilities)/assets		**(168,325)**	9,019
Total assets less current liabilities		**1,081,806**	1,371,211

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

The Group incurred a net loss of approximately RMB289,405,000 (2016: approximately RMB601,666,000) for the year ended 31 December 2017. As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately RMB168,325,000. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

Mr. Zheng Yu Long, the substantial shareholder of the Company who provided the aggregate amount of the loan to the Group of approximately RMB22,660,000, have agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2017.

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

Application of new and revised international financial reporting standards ("IFRSs")

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 2017. A summary of the new IFRSs are set out as below:

IAS 7 (Amendments)	Disclosure Initiative
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS12 (Amendments)	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

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.

Additional disclosure has been included in the notes to financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7.

In the opinion of directors, except as described below, the application of the new and revised IFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these 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 Transactions[1]
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contract[1]
IFRS 9	Financial Instruments[1]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensations[2]
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 15 (Amendments)	Clarifications to IFRS 15 Revenue from Contracts with Customer[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contract[4]
IAS 19 (Amendments)	Employee Benefits[2]
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
IAS 28 (Amendments)	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
IAS 40 (Amendments)	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvement to IFRS 2015-2017 Cycle[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

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

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

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

4 Effective for annual periods beginning on or after 1 January 2021, with early application permitted.

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 2017, none of the individual customer account for 10% or more of the Group's external revenue (2016: none). As at 31 December 2017 and 2016, majority of the Group's assets, liabilities and capital expenditure are located and utilised in the PRC.

	Year ended 31 December 2017				
	Jelly products *RMB'000*	**Confectionary products** *RMB'000*	**Beverages products** *RMB'000*	**Other snacks products** *RMB'000*	**Reportable segments total** *RMB'000*
Revenue					
Sales to external customers	**599,243**	**165,693**	**73,567**	**64,292**	**902,795**
Cost of sales	**(457,243)**	**(128,252)**	**(66,519)**	**(47,536)**	**(699,550)**
Gross profit	**142,000**	**37,441**	**7,048**	**16,756**	**203,245**
Results of reportable segments	**(108,278)**	**(5,129)**	**(11,915)**	**341**	**(124,981)**

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

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

Amounts included in the measure of segment profit or loss:

Amortisation of land use rights	**2,381**	**–**	**935**	**–**	**3,316**
Depreciation of property, plant and equipment	**53,533**	**–**	**21,404**	**1,583**	**76,520**
Impairment loss on property, plant and equipment	**94,535**	**–**	**–**	**–**	**94,535**
Loss on disposal of property, plant and equipment	**20,337**	**–**	**59,706**	**–**	**80,043**
Impairment loss on trade receivable	**1,073**	**–**	**–**	**–**	**1,073**

	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:

	Jelly products	Confectionary products	Beverages products	Other snacks products	Reportable segments total
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

Geographical information

During the years ended 31 December 2017 and 2016, 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 2017 and 31 December 2016. No analysis of the Group's result and assets by geographical area is disclosed.

4 Other income

	2017	2016
	RMB'000	*RMB'000*
Rental income	**7,534**	9,796
Government subsidy	**2,464**	1,608
Sundry income	**–**	8
Gain on sales of raw materials and scrap materials	**5,097**	3,461
	15,095	14,873

5 Other losses, net

	2017	2016
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(80,043)**	(67,203)
Net exchange gains/(losses)	**1,861**	(4,418)
	(78,182)	(71,621)

6 Finance costs, net

	2017	2016
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank borrowings	**(42,219)**	(20,930)
Interest expenses on loan from a director	**(506)**	–
Total finance cost	**(42,725)**	(20,930)
Finance income:		
Interest income on bank deposits	**2,070**	1,061
Interest income on loan receivable	**–**	6,629
Total finance income	**2,070**	7,690
Finance costs, net	**(40,655)**	(13,240)

7 Loss before taxation

Loss before taxation is arrived at after charging:

	2017	2016
	RMB'000	*RMB'000*
Auditors' remuneration	**2,145**	2,586
Staff costs (including directors' remuneration)		
– Salaries and bonuses	**113,900**	108,534
– Employer's contribution to defined contribution plans	**13,154**	13,198
– Employee share-based payment	**–**	7,459
Advertising and promotion expenses	**170,507**	235,695
Amortisation of land use rights	**3,316**	3,316
Depreciation of property, plant and equipment	**76,520**	120,984
Impairment loss on property, plant and equipment	**94,535**	241,517
Impairment loss on loan receivable	**–**	92,600
Impairment loss on trade receivable	**1,073**	–
Write-off of inventories	**–**	33,891
Cost of inventory sold	**552,667**	480,049
Freight and transportation expenses	**3,795**	3,780

8 Taxation

	2017	2016
	RMB'000	*RMB'000*
Current income tax – PRC Enterprise Income Tax	**–**	2,087
Deferred income tax, net	**(38,487)**	(36,051)
Tax credit	**(38,487)**	(33,964)

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 (2016: Nil).

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at the rate of 25% (2016: 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.

	2017	2016
Net loss attributable to the equity holders of the Company *(RMB'000)*	**(289,405)**	(601,666)
Weighted average number of ordinary shares in issue for basic loss per share *('000)*	**1,327,333**	1,327,333
Basic loss per share *(RMB per share)*	**(0.22)**	(0.45)

(b) Diluted loss per share

The computation of diluted loss per share does not include the Company's outstanding share options and the outstanding warrants because the effect were anti-dilutive. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

10 Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

11 Trade receivables

For the year ended 31 December 2017, the Group's revenue are generally on credit term of 90 days (2016: 30 to 90 days). As at 31 December 2017, the ageing analysis of trade receivables, based on invoice date and net of impairment, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Less than 30 days	**136,761**	106,381
31 days – 90 days	**148,134**	148,936
Over 90 days	**21,051**	6,461
	305,946	261,778

As at 31 December 2017, trade receivables of approximately RMB21,051,000 (2016: RMB6,461,000) 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:

	2017	2016
	RMB'000	*RMB'000*
Past due by less than 3 months but not impaired	**21,051**	6,461

During the year ended 31 December 2017, trade receivables of approximately RMB1,073,000 were impaired (2016: Nil).

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 2017, the Borrower has drawn up an aggregate amount of RMB220,000,000 (31 December 2016: 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 this announcement, 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. 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 2017 and 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 for the year ended 31 December 2016. No further impairment has to be provide for the year ended 31 December 2017.

13 Trade and other payables

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**80,026**	74,202
Bills payable *(Note (i))*	**138,000**	165,840
Accrued sales rebates	**15,781**	15,014
Other accrued expenses	**11,016**	12,142
Directors' fees and emoluments payable	**8,836**	6,265
Loan from a director *(Note (ii))*	**22,660**	–
Other payables and sundry creditors	**55,110**	37,519
	331,429	310,982

Note:

(i) Bills payable amounting to approximately RMB93,000,000 (2016: RMB165,840,000) were secured by pledged bank deposits of approximately RMB43,300,000 (2016: RMB50,756,000).

The bills payable were with maturity period within 1 year.

(ii) On 1 March 2017, the Company entered in to a loan agreement with Mr. Zheng Yu Long, an executive director of the Company, for a loan facility of approximately RMB40,994,000. The amount is unsecured, repayable on 31 December 2017 and bears fixed interest rate at 2% per annum.

The loan from a director was renewed on 29 December 2017 for a loan facility of approximately RMB40,000,000, the Company has drawn RMB22,660,000 as at 31 December 2017. The amount is unsecured, repayable on 31 December 2018 and bears fixed interest rate at 2% per annum.

The credit periods granted by suppliers generally range from 30 to 60 days. As at 31 December 2017, the ageing analysis of trade payables, prepared base on invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Less than 30 days	**73,513**	66,972
31 days – 90 days	**6,246**	7,230
Over 90 days	**267**	–
	80,026	74,202

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

14 Bank borrowings

	2017	2016
	RMB'000	*RMB'000*
Secured bank borrowings	**483,239**	385,055
Unsecured bank borrowings	**300,000**	366,010
Total bank borrowings	**783,239**	751,065

Carrying amount of bank borrowings wholly repayable:

	2017	2016
On demand or within 1 year	**583,239**	551,065
More than 1 year, but not exceeding 2 years	**200,000**	–
More than 2 years but not more than 5 years	**–**	200,000
	783,239	751,065
Less: amounts show under current liabilities	**(583,239)**	(551,065)
Amount classified as non-current liabilities	**200,000**	200,000

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

	2017	2016
	RMB'000	*RMB'000*
RMB	**780,450**	695,090
HKD	**2,789**	3,555
USD	**–**	52,420
	783,239	751,065

As at 31 December 2017, the bank borrowing of HKD3,350,000 (equivalent to approximately RMB2,789,000) (2016: RMB3,555,000) was secured by the land and buildings of approximately RMB7,467,000 (2016: RMB7,979,000) and charged at a floating interest rate of HIBOR + 2.25% which was re-pricing every month.

As at 31 December 2017, the short-term secured bank borrowings of approximately RMB142,850,000 (2016: RMB79,000,000) were secured by corporate guarantee by inter-group companies. The banks borrowings were repayable within 12 months and charged at floating interest rates of 4.92% to 5.05% (2016: LIBOR + 0.57% to 0.70%) which was repricing every 12 months.

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

As at 31 December 2017, the short-term secured bank borrowings of approximately RMB198,000,000 (2016: 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. The bank borrowings were repayable within 12 months and charged at floating interest rates of 5.22% to 5.44% (2016: LPR+0.92%) which was repricing every 3 months.

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

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

As at 31 December 2017, the short-term secured bank borrowings of approximately RMB60,000,000 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, and the wife of Mr. Zheng Yu Shuang. The bank borrowings were repayable within 12 months and charged at fixed interest rates of 5.66% per annum.

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

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

15. 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 2017, Labixiaoxin Snacks Group Limited (the "Company" and together with its subsidiaries, the "Group") has reported revenue of approximately RMB902.8 million, representing an increase of approximately 1.1% as compared with the corresponding period of last year. The increase in the reported revenue was mainly due to the gradual improvement in consumer sentiment of the snacks products in the People's Republic of China (the "PRC"). The sales performance in major categories of the Group's products recorded a mild increment during the year under review. However, due to the inflation in costs of certain major raw materials which cannot be wholly passed onto our consumers as the snacks products market remained competitive in the PRC, the profit margins of certain of our products narrowed in the year ended 31 December 2017. The Group's gross profit for the year ended 31 December 2017 fell by approximately 7.8% as compared with the corresponding period in 2016.

For the year ended 31 December 2017, the Group recorded a net loss of RMB289.4 million, representing a decrease of approximately 51.9% from the net loss of RMB601.7 million in the same period last year.

REVENUE

Revenue of the Group increased by approximately 1.1% to RMB902.8 million for the year ended 31 December 2017 when compared with the corresponding period in 2016. During the year ended 31 December 2017, the Group mainly focused its efforts in marketing and promotion on key product lines so as to improve the marketing efficiency. Advertising and promotion expenses decreased by approximately 27.7% from RMB235.7 million for the year ended 31 December 2016 to RMB170.5 million for the year ended 31 December 2017. As at 31 December 2017, the Group had a total number of 576 distributors (as at 31 December 2016: 449).

Jelly products

Sales of jelly products increased by approximately 0.5% from RMB596.0 million for the year ended 31 December 2016 to RMB599.2 million for the year ended 31 December 2017, primarily due to the gradual improvement in the consumption sentiments of snacks products in the PRC. In addition, there was no major sales return from the Group's distributors during the year ended 31 December 2017. Revenue attributable to jelly snacks increased by approximately 2.4% to RMB363.1 million while revenue attributable to jelly beverages decreased by approximately 2.2% to RMB236.1 million.

Confectionary products

Confectionary products also recorded a mild growth in revenue during the year ended 31 December 2017. Sales of confectionary products increased by approximately 2.1% from RMB162.3 million for the year ended 31 December 2016 to RMB165.7 million for the year ended 31 December 2017. The increase was mainly due to continued increase in demand in overseas markets.

Beverage products

Revenue of beverages products increased by approximately 18.0% to RMB73.6 million for the year ended 31 December 2017, representing approximately 8.2% of the total revenue of the Group. The increase in revenue of beverages products during the year under review was mainly due to the fruit and vegetable beverages were well received by the customers as the customers are more health conscious.

Despite the improvement in revenue 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 will continue to launch new beverages products with an objective to meet the needs of different customers. Whilst the Company remains confident that the Group's beverages products are of decent quality, it is uncertain whether these products will be well perceived by the market and whether it will bring decent financial contribution to the Group.

Other snacks products

For the year ended 31 December 2017, sales of other snacks products dropped by approximately 11.0% to RMB64.3 million which was mainly due to the Group decided to sell less milk tea products during the year as their profit margins were relatively thin.

COST OF SALES AND GROSS PROFIT

Cost of sales increased by approximately 4.0% to RMB699.6 million for the year ended 31 December 2017. The increase was mainly attributable to the corresponding increase in revenue and the increase in purchase prices of certain major raw materials. Gross profit dropped by approximately 7.8% to RMB203.2 million for the year ended 31 December 2017 which was mainly due to the increased purchase prices of certain major raw materials, for example the cost of packaging materials increased by over 30% during the year under review.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 20.9% to RMB233.7 million for the year ended 31 December 2017, which was primarily due to a decrease in advertising and promotion spending. During the year under review, the Group focused its marketing efforts on key product lines and thus had some saving in advertising and promotion spending. Advertising and promotion expenses decreased by approximately 27.7% to RMB170.5 million during the year under review.

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

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group decreased by approximately 36.7% to RMB99.2 million for the year ended 31 December 2017, which was mainly due to there was no one-off inventories write-off in 2017.

During the year ended 31 December 2016, there was a one-off inventories write-off of RMB33.9 million.

OTHER LOSSES

Balance primarily comprised of loss on disposal of property, plant and equipment and net exchange differences. During the year under review, the Group had disposed of the property, plant and equipment mainly in relation to a Tetra Pak beverages production line in Anhui production plant due to the Group's decision in ceasing the production of such packaging products. As a result, a loss on disposal of the property, plant and equipment of approximately RMB80.0 million was recorded for the year ended 31 December 2017.

IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

Due to the poor results of the Group's jelly products segment during the year ended 31 December 2017, the Group considered it was an indication that the property, plant and equipment for the jelly products segment (the "Relevant PPE") may be impaired. Accordingly, the Group engaged an independent valuer to carry out an impairment testing on the Relevant PPE in January 2018 and noted an impairment loss of approximately RMB94.5 million on the property, plant and equipment was required as at 31 December 2017. The recoverable amount of the Relevant PPE was determined based on a value-in-use calculation. The value-in-use of property, plant and equipment is estimated based on (a) the estimated future cash flow to be generated from the continuing use of those assets; and (b) an appropriate discount rate to such estimated future cash flow i.e. a pre-tax discount rates of 17.09%. The valuation method is consistent with the method adopted by the Company for the year ended 31 December 2016.

TAXATION

The credit amount of the Group's income tax 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 RMB289.4 million for the year ended 31 December 2017 (2016: RMB601.7 million). The decrease in net loss was primarily attributable to (i) the amount of provision for impairment of property, plant and equipment recognized for the year ended 31 December 2017 of approximately RMB94.5 million is RMB147.0 million lower than the amount recognized for the year ended 31 December 2016 and (ii) there is no provision for impairment of loan receivable in the current year (2016: RMB92.6 million).

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 2017, the cash and bank balances amounted to RMB72.8 million which was RMB154.5 million less than the balance as at 31 December 2016. The decrease in cash and bank balances was mainly due to the capital expenditures of RMB124.8 million incurred by the Group for the year ended 31 December 2017.

As at 31 December 2017, the Group's gearing ratio (total borrowings divided by total equity) was 92.1% (as at 31 December 2016: 65.9%). The Group maintained sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group recorded net cash outflow from operating activities of RMB71.6 million for the year ended 31 December 2017 (2016: RMB78.2 million). The Group has spent RMB102.4 million in investing activities for the year ended 31 December 2017 mainly for the upgrade of production lines of the production plants. The Group has net cash inflow from financing activities of RMB19.6 million for the year ended 31 December 2017 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 2017, the Group incurred RMB124.8 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 2017, the balance decreased by RMB10.2 million from the beginning of the year. The inventories turnover days for the years ended 31 December 2017 and 2016 were 41 days and 42 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors. The Group typically sells its products on credit and grant 90 days credit to most of the wholesale distributors. The balance increased by RMB44.2 million from the beginning of the year mainly due to better sales performance in December 2017 than in the corresponding period of 2016. The trade receivable turnover days for the years ended 31 December 2017 and 2016 were 103 days and 91 days, respectively. Subsequent to the year ended 31 December 2017 and up to the date of this announcement, approximately RMB209.2 million of the trade receivables were settled by the wholesale distributors.

Entrusted loan receivable

On 19 June 2015, a wholly-owned subsidiary of the Group (the "Lender") entered into an entrusted loan agreement 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 2017, the Borrower has drawn up an aggregate amount of RMB220 million of the Entrusted Loan with interests accrued in the amount of approximately RMB1.1 million (the "Outstanding Amounts"). The Entrusted Loan matured and shall be repaid by the Borrower on 18 June 2016. However, up to the date of this announcement, the Borrower has not repaid the Outstanding Amounts.

On 10 March 2017, the Lending Bank initiated a legal proceeding (the "Legal Proceeding") with the Quanzhou Intermediate People's Court in the People's Republic of China 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 2017 and 2016 were 152 days and 80 days respectively.

Bill payables

As at 31 December 2017, bills payable of the Group amounting to RMB93.0 million were secured by pledged bank deposits of RMB43.3 million. As at 31 December 2017, 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 2017, 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 2017, land and building of the Group in Hong Kong with net book value of RMB7.5 million was pledged as security for mortgage loan (31 December 2016: RMB8.0 million).

Contingent liabilities

As at 31 December 2017, the Group had no contingent liabilities (31 December 2016: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 1,940 employees (including part-time employees) (2016: 2,130 employees) and the total remuneration expenses for the year ended 31 December 2017 amounted to RMB127.1 million. The employees' salaries are reviewed and adjusted annually based on employee's performance and experience. The Group's employee benefits include performance bonus, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

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 2017 (2016: 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

With the consumer sentiment in the PRC remaining weak, the market demand for the Group's snack products did not show a remarkable rebound during the year ended 31 December 2017. Although the Group had recorded a mild growth in revenue in the major product categories, the Directors considered that a complete and strong recovery will not happen in the short term.

To build a solid foundation for mid-to-long term growth, the Group will (i) take proactive steps in marketing its brand image and products in 2018, 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., (ii) launch new jelly and beverages products from time to time to offer better choices to the consumers and (iii) restructure and consolidate its production facilities to enhance its production and logistic efficiency. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the longer run.

While the near-term outlook for the snacks products sector of the PRC remains challenging, 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 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in compliance with Rule 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Yau Tong (chairman), Mr. Li Zhi Hai and Ms. Sun Kam Ching. The Audit Committee has reviewed with management and the Group's auditor the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 December 2017. The Audit Committee has also reviewed the annual results for the year ended 31 December 2017.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group's results for the year ended 31 December 2017 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 2017 set out in 2017 Annual Report of the Company will be an unqualified audit opinion with an emphasis of matters.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote stringent corporate governance practices and procedures with a view to safeguard the interests of shareholders and enhance investor confidence and the Company's accountability and transparency. The Company set out its corporate governance practices by reference to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2017, 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 2017.

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 2017 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 2017 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, 29 March 2018

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.