



2012  
Interim Report



**Labixiaoxin Snacks Group Limited**  
**蠟筆小新休閒食品集團有限公司**  
(formerly known as "China Lifestyle Food and Beverages Group Limited")

(Incorporated in Bermuda with limited liability)  
Stock Code: 1262



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# Corporate Information

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Headquarters and Principal Place of Business in the PRC

Wuli Industrial Area  
Jinjiang, Fujian  
PRC

## Place of Business in Hong Kong

Room 1104  
Asia-Pac Commercial Centre  
10 North Point Road  
North Point  
Hong Kong

## Place of Listing and Trading Code

The Stock Exchange of Hong Kong Limited  
Stock code: 1262

## Company Website

<http://www.lbxgroup.com>  
(information contained in this website does not form part of this interim report)

## Board of Directors

### Executive Directors

Zheng Yu Long (*Chairman*)  
Zheng Yu Shuang (*Chief Executive Officer*)  
Zheng Yu Huan

### Non-Executive Directors

Li Hung Kong (*Vice-Chairman*)  
Li Gang

## Independent Non-Executive Directors

Li Zhi Hai  
Sun Kam Ching  
Chung Yau Tong

## Company Secretary

Yap Yung (*HKICPA*)

## Authorised Representatives

Zheng Yu Shuang  
Yap Yung

## Audit Committee

Chung Yau Tong (*Chairman*)  
Li Zhi Hai  
Sun Kam Ching

## Remuneration Committee

Sun Kam Ching (*Chairman*)  
Zheng Yu Long  
Chung Yau Tong

## Nomination Committee

Li Zhi Hai (*Chairman*)  
Zheng Yu Shuang  
Chung Yau Tong

## Auditor

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building  
Central, Hong Kong

## Legal Adviser

Sidley Austin  
Level 39, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

## Compliance Adviser

Guangdong Securities Limited  
Units 2505-06, 25/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## Principal Share Registrar

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Hong Kong Share Registrar

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

## Principal Bankers

China Construction Bank Corporation  
Jinjiang Branch  
Construction Bank Building  
Zeng Jin Area, Qing Yang  
Jinjiang, Fujian  
PRC

Bank of Communications Co., Ltd.  
Quanzhou Branch  
550 Fengze Street  
Quanzhou, Fujian  
PRC

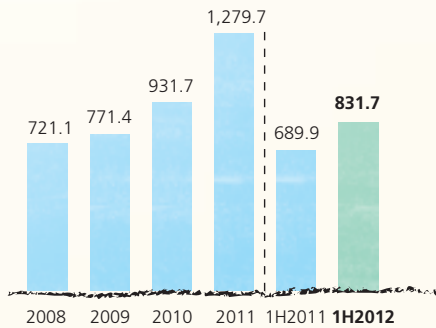
China CITIC Bank Corporation Limited  
Quanzhou Branch  
1-2/F, Renmin Yinhang Building  
Quanzhou, Fujian  
PRC

Agricultural Bank of China Limited  
Tianjin Wuqing Branch  
Jinrong Building  
Northern Xinhua Road  
Yangcun Town  
Wuqing Area, Tianjin  
PRC

# Financial Highlights

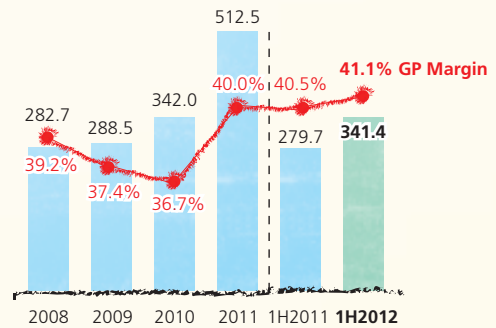
## Sales

RMB'M



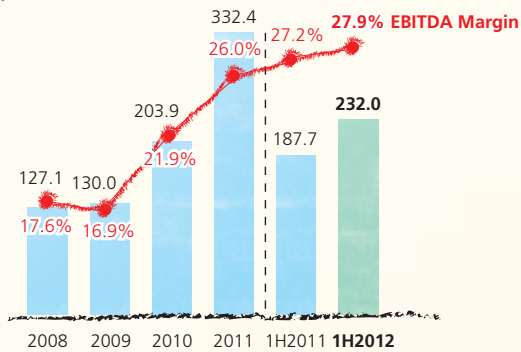
## Gross Profit

RMB'M



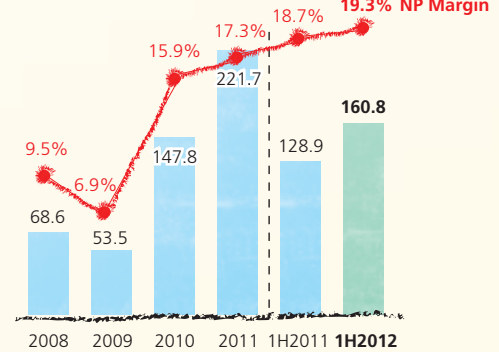
## EBITDA

RMB'M



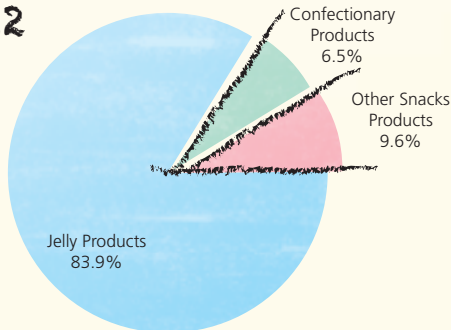
## Net Profit

RMB'M

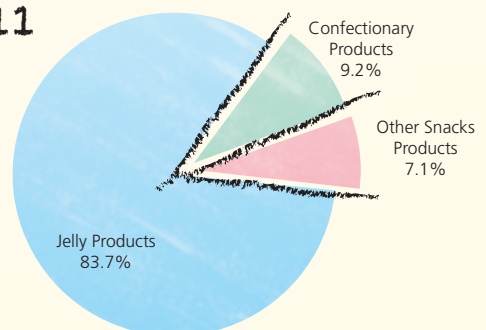


## Sales by Products

1H2012

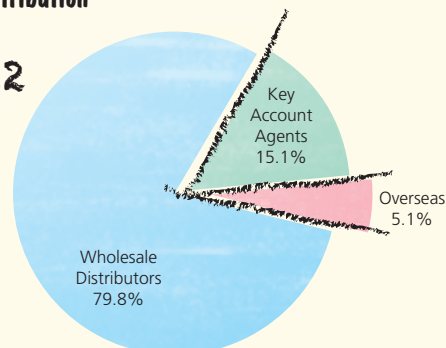


1H2011

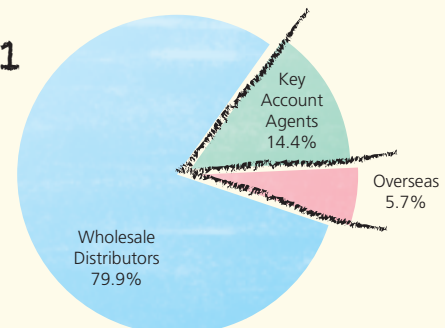


## Sales by Distribution Channels

1H2012



1H2011





# Management Discussion and Analysis

## Business Review

During the first half of 2012, the highlight of operating environment in China was shifting from inflation to softening economy. The threat of inflation has almost vanished from media headlines and replaced by economic downside pressure. According to preliminary estimation by the National Bureau of Statistics of China, the gross domestic product and total retail sales of consumer goods in the first half of 2012 grew by approximately 7.8% and 14.4%, respectively, as compared with the corresponding period last year which was 1.8 and 2.4 percentage points lower than that in the same period last year, respectively. The China Government has increased effort to strengthen the economic sustainable development, further boosting domestic demand is fundamental to such mission. In fact, the consumption momentum is still encouraging to the fact that the disposable income of urban population per capita increased by approximately 13.3% from the same period last year and was 2.1 percentage points higher than that in the same period last year and the consumer price index in the first half of 2012 went up by approximately 3.3% only from a year back which was 2.1 percentage points lower than that in the same period last year. The rising disposable income and stable consumer price index are essential to enhance the domestic consumption. Given people are more cautious and selective to their daily consumption, products with good brand, high quality and easy accessibility to the consumers do have a niche in the market. The past and present investment in branding and distribution network and commitment to product quality of Labixiaoxin Snacks Group Limited (the "Company") and its subsidiaries (together, the "Group") played a key role under this pressurized operating environment. However, it was regrettable to note some inaccurate rumours on the internet about the quality of jelly products in China and bias media reporting on jelly products which created short-term impact to the Group's sales. Despite that, total sales of the Group for the first half of 2012 increased by 20.6%, as compared with the same period last year. Gross profit margin, EBITDA margin and net profit margin all showed improvement from a year back. Net profit surged 24.7% year on year. Operating cash flow also increased by 30.3% to RMB201.6 million in the first half of 2012.

## Sales

Sales surged 20.6% to RMB831.7 million in the first half of 2012, in which the positive contributions made by jelly products and other snacks categories outweighed the decrease in sales of confectionary products. The Group continued to enhance market penetration of "Labixiaoxin" products. As at 30 June 2012, the Group had a total number of 240 wholesale distributors and key account agents as compared to a total of 190 from a year back. The Group's sales achieved satisfactory growth in all Provinces, particularly in Western China, where the Group achieved the strongest growth of 37.9% as compared with the corresponding period in 2011. The new production facilities in Sichuan Province were the foundation to such growth. Sales in Eastern and Central China in the first half of 2012 remained robust which increased 24.3% and 18.9%, respectively from a year back. In Northern China, the Group has engaged two new key account agents in May 2012 to cover the key accounts retail customers in northern regions, the total sales via key account agents accounted for 15.9% of the total domestic sales for the first half of 2012 versus that of 15.3% from a year back. The Group achieved good growth of 9.9% in Southern China.



### Jelly products

Sales of jelly products increased by 20.7% from RMB578.0 million in the first half of 2011 to RMB697.8 million in the first half of 2012, of which sales attributable to jelly snacks and jelly beverages increased by 14.3% to RMB426.1 million and 32.4% to RMB271.7 million, respectively. Volume growth is the key driver to such increase. The launch of Sugar Free Jelly, Jelly Pie and Mango Pudding during the first half of 2012 has built a good momentum. The Eden Bar and small pack jelly beverages continued to perform well in the first half of 2012.

### *Confectionary products*

Sales of confectionary products decreased by 14.1% to RMB54.3 million in the first half of 2012. This was mainly due to an earlier Lunar New Year in year 2012 that pulled festive demand forward to end of 2011.

### *Other snacks products*

Sales of other snacks products achieved an outstanding growth for the first half of 2012, increased by 63.5% to RMB79.7 million in the first half of 2012. The sales of new snacks products that were launched last year all grew well while the sales of milk tea powder grew by 34.5% as compared with the corresponding period in year 2011.



## **Cost Of Sales**

Cost of sales increased by 19.5% to RMB490.3 million in the first half of 2012. The increase in cost of sales was less than that of sales because the cost of most of the raw materials and packaging materials was relatively stable, some of which, e.g. sugar and certain additives, was falling from the peak.

## **Gross Profit**

Gross profit increased by 22.1% to RMB341.4 million in the first half of 2012, and gross profit margin increased by 0.6 percentage point from 40.5% in the first half of 2011 to 41.1% in the first half of 2012. The margin improvement was primarily due to falling in prices of raw materials in the first half of 2012. The change in product mix with more premium and high margin products, e.g. Sugar Free Jelly, Mango Pudding also helped in raising the margin of jelly products from 41.4% in the first half of 2011 to 42.4% in the first half of 2012. However, the gross profit margin of confectionary products dropped by 3.7 percentage points from 41.0% in the first half of 2011 to 37.3% in the first half of 2012 primarily due to change in product mix.

## **Other Income**

The Group's other income increased 273.5% to RMB3.2 million in the first half of 2012, the increase was mainly attributable to the increase in interest income from bank deposits.

## **Selling and Distribution Expenses**

Selling and distribution expenses increased by 27.3% to RMB111.3 million in the first half of 2012 primarily due to the increase in advertising and promotion expenses, freight and transportation expenses and operating expenses of sales department.

During the first half of 2012, the Group increased its advertising and promotion expenses as planned to further enhance brand awareness, which surged 32.3% from RMB49.3 million in the first half of 2011 to RMB65.2 million in the first half of 2012, representing 7.8% of sales in the first half of 2012 compared to 7.1% of sales in the first half of 2011. Freight and transportation expenses and operating expenses of sales department increased fairly in line with sales.

## **Administrative Expenses**

Administrative expenses increased by 11.1% to RMB32.1 million in the first half of 2012 as the Group's operating scale enlarged. The overall administrative expenses to sales ratio was 3.9% in the first of half of 2012, representing a decrease of 0.3 percentage point as compared with the same period last year primarily due to management cost control initiatives.



# Management Discussion and Analysis

## Other Net Gains/Losses

Balance mainly comprised net exchange gains, loss on disposal of machinery and equipment and net gain on sales of scrap materials. During the period under review, the Group incurred net gains of RMB2.6 million, primarily due to exchange gain caused by appreciation of Hong Kong Dollars against Renminbi for the capital injected into the PRC subsidiaries and payment of dividends during the first half of 2012.

## Income Tax Expense

The Group's income tax increased by 24.3% to RMB38.9 million in the first half of 2012, representing an effective tax rate of 19.5% which is comparable with the same period last year.

## Profit for the Period

Profit for the period increased by 24.7% from RMB128.9 million in the first half of 2011 to RMB160.8 million in the first half of 2012. The net profit margin improved slightly by 0.6 percentage point from 18.7% in the first half of 2011 to 19.3% in the first half of 2012. The increase was primarily due to margin improvement and benefit from economies of scale, partially offset by increase in investment in advertising and promotion activities.

## Material Acquisition and Disposal of Subsidiaries and Associated Companies

There was no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2012.

## Financial Review

### Financial resources and liquidity

The Group mainly finances its operations and capital expenditure by cash and bank balances, internal generated cash flows, and banking facilities provided by its principal bankers.

As at 30 June 2012, the bank balances and deposits amounted to RMB443.1 million, representing a decrease of RMB96.9 million as compared with the same as at 31 December 2011. This was mainly due to capital expenditures, repayment of bank loans and dividend payment net of positive cash flow generated from operating activities during the period under review. Total borrowings of the Group as at 30 June 2012 decreased by RMB70.0 million to RMB87.0 million. Over 90% of the Group's cash and bank balances were denominated in RMB while all borrowings were denominated in RMB.

Gearing ratio (total borrowings divided by total equity) as at 30 June 2012 was 5.7% (31 December 2011: 11.0%). The Group maintains sufficient cash and available banking facilities for its working capital requirements and for capitalising 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

Cash flow generated from operating activities surged 30.3% to RMB201.6 million in the first half of 2012. The Group has spent RMB167.8 million in investing activities mainly for expansion of production facilities net of bank interest received. The Group has cash outflow of RMB120.9 million from financing activities which primarily represents net repayment of bank borrowings and dividend payment.

## Capital expenditure

In first half of 2012, the Group has spent RMB170.6 million in capital expenditure mainly for capacity expansion of production facilities in Sichuan Province and Tianjin and construction of production facilities in Anhui Province. In the second quarter of 2012, a new production house in the production facilities at Sichuan Province has commenced operation that increased the Group's total annual production capacity of jelly products to 220,000 tons. The Group expects one more production house in the production facilities at Tianjin will be able to commence operation by end of the year 2012. The Group endeavours to start test running of the production facilities at Anhui in year 2013.

The above capital expenditure was primarily financed by proceeds received the initial public offering of the Company in December 2011, banking facilities and operating cash flows.

## Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, and other snacks products, as well as raw materials and packaging materials. As at 30 June 2012, balance decreased by RMB30.5 million from the beginning of the year mainly due to seasonal factor. The inventories turnover days for the first half of 2012 and 2011 were 20 days and 26 days, respectively.

## Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors and key account agents. The Group typically sells its products on credit and grant 30 days credit to most of the wholesale distributors and 90 days credit to key account agents. Balance decreased by RMB52.9 million from the beginning of the year mainly due to seasonal factor. The trade receivables turnover days for the first half of 2012 and 2011 were 52 days and 43 days, respectively.

## 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. The Group also settled some of the procurement by bank bills which typically have 180 settlement days, at cost of bank charges and pledged deposits to the banks. Trade payables turnover days for the six months ended 30 June 2012 and 2011 were 74 days and 95 days respectively. The decrease in trade payables turnover days was mainly because the amount of procurement settled by bank bills was lower during the six months ended 30 June 2012.







# Management Discussion and Analysis

## Charges on assets

As at 30 June 2012, except for pledged bank deposits of RMB8,244,000 (31 December 2011: RMB18,010,000), the Group had no charge on assets (31 December 2011: Nil).

## Contingent liabilities

As at 30 June 2012, the Group had no contingent liabilities (31 December 2011: Nil).

## Employment and Remuneration Policy

As at 30 June 2012, the Group had approximately 2,685 employees and total remuneration expenses for the first half of 2012 amounted to RMB44.8 million including amortisation cost of share options of RMB1.3 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 30 March 2012, the Group granted 15 million share options to certain key management personnel and employees to give an opportunity for them to participate in the equity of the Company as well as to motivate them to extend greater dedication, loyalty and higher standards of performance for the long term benefit of the Group. Further details in relation to the grant of share options is set forth under the section headed "Other Information" to this interim report and in the announcement of the Company dated 30 March 2012.



## Prospects

The economic data has proved that 2012 has been and will continue to be another challenging year. Yet, the Company is glad to see that China Government has responded proactively to the various economic issues and they are boosting the domestic consumption via a series of policies. The Company notes that there is increasing number of consumers with increasing disposable income and the consumption sentiment on fast moving consumer goods remains encouraging, Furthermore, the pressure on cost of raw materials was easing which also relieved the margin pressure. Barring unforeseen circumstances, the Group is cautiously optimistic to its performance in the second half of 2012.

# Auditor's Independent Review Report



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF LABIXIAOXIN SNACKS GROUP LIMITED**  
*(incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 10 to 23, which comprises the condensed consolidated balance sheet of Labixiaoxin Snacks Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 17 August 2012

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Unaudited Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Sales	3	<b>831,729</b>	689,920
Cost of sales		<b>(490,281)</b>	(410,173)
Gross profit		<b>341,448</b>	279,747
Other income	4	<b>3,242</b>	868
Selling and distribution expenses		<b>(111,288)</b>	(87,373)
Administrative expenses		<b>(32,098)</b>	(28,890)
Other gains/(losses), net	5	<b>2,734</b>	(124)
Operating profit	6	<b>204,038</b>	164,228
Finance costs	7	<b>(4,415)</b>	(4,058)
Profit before income tax		<b>199,623</b>	160,170
Income tax expense	8	<b>(38,861)</b>	(31,272)
Profit and total comprehensive income for the period		<b>160,762</b>	128,898
Earnings per share attributable to equity holders of the Company (RMB per share)	9		
— Basic		<b>0.14</b>	0.15
— Diluted		<b>0.14</b>	0.15

# Condensed Consolidated Balance Sheet

As at 30 June 2012

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	11	152,581	154,239
Property, plant and equipment	11	963,485	778,378
Deposits for property, plant and equipment		25,174	67,438
Interests in an associated company		—	—
Deferred income tax assets		3,606	3,728
		<b>1,144,846</b>	1,003,783
<b>Current assets</b>			
Inventories		49,678	80,134
Trade receivables	12	190,417	243,330
Prepayments and other receivables		8,931	18,102
Pledged bank deposits		8,244	18,010
Cash and cash equivalents		434,832	521,949
		<b>692,102</b>	881,525
<b>Total assets</b>		<b>1,836,948</b>	1,885,308
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		403,984	403,984
Share premium		550,787	550,787
Other reserves		(419)	(1,739)
Retained earnings		584,745	480,263
<b>Total equity</b>		<b>1,539,097</b>	1,433,295
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Deferred income tax liabilities		13,863	9,245
<b>Current liabilities</b>			
Trade and other payables	13	184,652	273,830
Borrowings	14	87,000	157,000
Current income tax liabilities		12,336	11,938
		<b>283,988</b>	442,768
<b>Total liabilities</b>		<b>297,851</b>	452,013
<b>Total equity and liabilities</b>		<b>1,836,948</b>	1,885,308
<b>Net current assets</b>		<b>408,114</b>	438,757
<b>Total assets less current liabilities</b>		<b>1,552,960</b>	1,442,540

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Unaudited								
	Note	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2012		403,984	550,787	(87,600)	85,902	—	(41)	480,263	1,433,295
Profit and total comprehensive income for the period		—	—	—	—	—	—	160,762	160,762
Employee share-based payments		—	—	—	—	1,320	—	—	1,320
Dividends	10	—	—	—	—	—	—	(56,280)	(56,280)
Balance at 30 June 2012		403,984	550,787	(87,600)	85,902	1,320	(41)	584,745	1,539,097

For the six months ended 30 June 2011

	Unaudited								
	Note	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011		205,644	151,230	(87,600)	61,206	—	(41)	323,263	653,702
Profit and total comprehensive income for the period		—	—	—	—	—	—	128,898	128,898
Issue of shares		14,412	124,718	—	—	—	—	—	139,130
Dividends		—	—	—	—	—	—	(40,000)	(40,000)
Balance at 30 June 2011		220,056	275,948	(87,600)	61,206	—	(41)	412,161	881,730

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	235,261	184,758
Income tax paid	(33,622)	(30,036)
<b>Net cash generated from operating activities</b>	<b>201,639</b>	<b>154,722</b>
<b>Cash flows from investing activities</b>		
Purchase of land use rights	—	(46,800)
Purchase of property, plant and equipment	(145,409)	(18,497)
Deposits paid for property, plant and equipment	(25,174)	(59,604)
Interest received	2,756	430
<b>Net cash used in investing activities</b>	<b>(167,827)</b>	<b>(124,471)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	30,000	90,000
Repayments of borrowings	(100,000)	(43,000)
Decrease/(increase) in pledged bank deposits	9,766	(9,305)
Proceeds from issuance of shares, net	—	139,130
Dividends paid	(56,280)	(40,000)
Interest paid	(4,415)	(4,058)
<b>Net cash (used in)/generated from financing activities</b>	<b>(120,929)</b>	<b>132,767</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(87,117)</b>	<b>163,018</b>
Cash and cash equivalents at the beginning of the period	521,949	18,236
<b>Cash and cash equivalents at the end of the period</b>	<b>434,832</b>	<b>181,254</b>



# Notes to the Condensed Consolidated Interim Financial Information

## 1. General Information

Labixiaoxin Snacks Group Limited (formerly known as China Lifestyle Food & Beverages 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 Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the manufacture and sale of food and beverages products.

The Company’s shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

## 2. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2011.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2011.

During the six months ended 30 June 2012, the Group granted share options to its employees. Below is the Group’s accounting policy for the share-based payments:

### Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets and remaining employees of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

## 2. Basis of Preparation (continued)

### (a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for accounting periods beginning on or after 1 January 2012. The adoption of these new standards and amendments to standards does not have any significant impact to the results and financial position of the Group.

IFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
IFRS 7 (Amendment)	Disclosures — transfers of financial assets
IAS 12 (Amendment)	Deferred tax: recovery of underlying assets

### (b) New standards, amendments to standards and interpretations that have been issued but are not effective

The following new standards, amendments to standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 and which the Group has not early adopted.

IAS 1 (Amendment)	Presentation of financial statements <sup>1</sup>
IAS 19 (Amendment)	Employee benefits <sup>1</sup>
IAS 27 (2011)	Separate financial statements <sup>1</sup>
IAS 28 (2011)	Investments in associates and joint ventures <sup>1</sup>
IAS 32 (Amendment)	Financial instruments: Presentation — offsetting financial assets and financial liabilities <sup>2</sup>
IFRS 7 (Amendment)	Financial instruments: Disclosures — offsetting financial assets and financial liabilities <sup>1</sup>
IFRS 7 and IFRS 9 (Amendments)	Mandatory effective date and transition disclosures <sup>3</sup>
IFRS 9	Financial instruments <sup>3</sup>
IFRS 10	Consolidated financial statements <sup>1</sup>
IFRS 11	Joint arrangements <sup>1</sup>
IFRS 12	Disclosure of interests in other entities <sup>1</sup>
IFRS 13	Fair value measurement <sup>1</sup>
IFRIC — Int 20	Stripping costs in the production phase of a surface mine <sup>1</sup>

<sup>1</sup> Effective for the Group for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for the Group for annual periods beginning on or after 1 January 2014

<sup>3</sup> Effective for the Group for annual periods beginning on or after 1 January 2015

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations and does not expect there will be any significant impact to the results and financial position of the Group.

## 3. Segment Information

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



# Notes to the Condensed Consolidated Interim Financial Information

## 3. Segment Information (continued)

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

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

CODM assesses the performance of the operating segments based on measure of segment results. Finance 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 information.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

During the six months ended 30 June 2012, none of the individual customer account for 10% or more of the Group's external revenue (2011: none). As at 30 June 2012 and 31 December 2011, substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

	Unaudited Six months ended 30 June 2012			Reportable segments Total RMB'000
	Jelly products RMB'000	Confectionary products RMB'000	Other snacks products RMB'000	
<b>Revenue</b>				
Sales to external customers	697,795	54,271	79,663	831,729
Cost of sales	(401,799)	(34,037)	(54,445)	(490,281)
Gross profit	295,996	20,234	25,218	341,448
<b>Results of reportable segments</b>	<b>199,775</b>	<b>14,040</b>	<b>16,345</b>	<b>230,160</b>

A reconciliation of results of reportable segments to profit for the period is as follows:

<b>Results of reportable segments</b>				230,160
Corporate income				5,990
Corporate expenses				(32,112)
<b>Operating profit</b>				204,038
Finance costs				(4,415)
<b>Profit before income tax</b>				199,623
Income tax expense				(38,861)
<b>Profit for the period</b>				160,762
Amortisation of land use rights	1,658	—	—	1,658
Depreciation of property, plant and equipment	26,824	—	901	27,725

### 3. Segment Information (continued)

	Unaudited Six months ended 30 June 2011			Reportable segments Total RMB'000
	Jelly products RMB'000	Confectionary products RMB'000	Other snacks products RMB'000	
<b>Revenue</b>				
Sales to external customers	578,003	63,202	48,715	689,920
Cost of sales	(338,891)	(37,306)	(33,976)	(410,173)
Gross profit	239,112	25,896	14,739	279,747
<b>Results of reportable segments</b>	163,686	19,097	9,591	192,374

A reconciliation of results of reportable segments to profit for the period is as follows:

<b>Results of reportable segments</b>		192,374
Corporate income		1,485
Corporate expenses		(29,631)
<b>Operating profit</b>		164,228
Finance costs		(4,058)
<b>Profit before income tax</b>		160,170
Income tax expense		(31,272)
<b>Profit for the period</b>		128,898
Amortisation of land use rights	1,502	—
Depreciation of property, plant and equipment	21,582	857

### 4. Other Income

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Rental income	486	438
Interest income on bank deposits	2,756	430
	3,242	868

# Notes to the Condensed Consolidated Interim Financial Information

## 5. Other Gains/(Losses), Net

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Gain on sales of scrap materials	157	617
Loss on disposal of property, plant and equipment	(14)	(48)
Exchange gains/(losses), net	2,591	(693)
	<b>2,734</b>	(124)

## 6. Operating Profit

Operating profit was determined after charging the following:

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Purchases of raw materials, finished goods and consumables	408,686	369,545
Changes in inventories of raw materials and finished goods	30,457	(3,355)
Advertising and promotion expenses	65,170	49,329
Freight and transportation expenses	29,591	23,863
Employee benefit expenses (including directors' emoluments and share-based payments in relation to the share options granted during the period)	44,777	38,734
Depreciation of property, plant and equipment	27,725	22,439
Amortisation of land use rights	1,658	1,502
Operating leases rentals	287	32

## 7. Finance Costs

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Interest expenses on bank borrowings	4,415	4,058

## 8. Income Tax Expense

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Current income tax — PRC	34,121	28,086
Deferred income tax	4,740	3,186
	<b>38,861</b>	31,272

During the six months ended 30 June 2012, the Group did not have any assessable income in Bermuda, BVI and Hong Kong (2011: Nil).

The subsidiaries in the PRC are subject to income tax rate of 25% (2011: 25%) on their taxable profit during the period. One of the subsidiaries was granted full exemption from the PRC income tax for two years from their first profit-making year of operation, and followed by a 50% reduction in income tax rate for the next three years.

A subsidiary in Fujian province, PRC, was designated as New and Hi-Tech Enterprises (“高新技術企業”) in October 2009 and has thus enjoyed a preferential income tax rate of 15% since 2010 and is subject to review and renewal every three years. The preferential income tax rate will be reviewed in second half of this year. Should the Group cannot renew the preferential tax rate, the subsidiary will be subjected to income tax rate of 25% on its taxable profit in the coming year.

## 9. Earnings Per Share

### (a) Basic earnings per share

	Unaudited Six months ended 30 June	
	2012	2011
Net profit attributable to the equity holders of Company (RMB'000)	160,762	128,898
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,125,600	867,381
Basic earnings per share (RMB per share)	0.14	0.15

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

The ordinary shares of 353,063,478 issued on 9 December 2011 related to the capitalisation issue were deemed to have been issued at the beginning of the earliest period presented in the financial information.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period after adjusting for the dilutive potential ordinary shares in respect of the Company's outstanding share options. The potential ordinary shares in respect of the Company's outstanding share options are anti-dilutive for the six months ended 30 June 2012. There was no potential dilutive ordinary shares for the six months ended 30 June 2011.

# Notes to the Condensed Consolidated Interim Financial Information

## 10. Dividends

At a meeting held on 29 March 2012, the directors proposed a final dividend of RMB 0.05 per share, amounting to RMB 56,280,000 (equivalent to HK\$67,536,000) for the year ended 31 December 2011, which was paid in June 2012 and have been reflected as an appropriation of retained earnings for the six months ended 30 June 2012. The directors do not recommend the payment of an interim dividend for the six month ended 30 June 2012.

## 11. Capital Expenditure

	Land use rights RMB'000	Buildings RMB'000	Plant and equipment RMB'000	Motor vehicles RMB'000	Construction in-progress RMB'000	Total RMB'000
<b>Six months ended 30 June 2012</b>						
<b>Cost</b>						
At 1 January 2012	165,820	416,264	329,161	10,454	190,252	1,111,951
Additions	—	2,722	89,591	3,382	117,151	212,846
Disposals	—	—	(64)	—	—	(64)
Transfer from/(to)	—	42,087	—	—	(42,087)	—
At 30 June 2012	165,820	461,073	418,688	13,836	265,316	1,324,733
<b>Accumulated depreciation</b>						
At 1 January 2012	11,581	59,091	100,267	8,395	—	179,334
Depreciation charge	1,658	10,742	16,386	597	—	29,383
Disposals	—	—	(50)	—	—	(50)
At 30 June 2012	13,239	69,833	116,603	8,992	—	208,667
<b>Net book value</b>						
At 30 June 2012	152,581	391,240	302,085	4,844	265,316	1,116,066
<b>Six months ended 30 June 2011</b>						
<b>Cost</b>						
At 1 January 2011	119,020	371,133	297,461	10,006	—	797,620
Additions	46,800	—	13,579	180	4,738	65,297
Disposals	—	—	(481)	—	—	(481)
At 30 June 2011	165,820	371,133	310,559	10,186	4,738	862,436
<b>Accumulated depreciation</b>						
At 1 January 2011	8,420	42,317	77,209	7,399	—	135,345
Depreciation charge	1,502	8,387	13,516	536	—	23,941
Disposals	—	—	(433)	—	—	(433)
At 30 June 2011	9,922	50,704	90,292	7,935	—	158,853
<b>Net book value</b>						
At 30 June 2011	155,898	320,429	220,267	2,251	4,738	703,583

## 12. Trade Receivables

The Group's sales are generally on credit term ranging from 30 to 90 days. The aging analysis of the Group's trade receivables, based on invoice date, is as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Less than 30 days	114,916	164,619
31 days–90 days	75,001	72,771
Over 90 days	500	5,940
	<b>190,417</b>	243,330

For the trade receivables that are not past due nor impaired, the directors were of the opinion that no impairment provision was required as those customers did not have recent default history.

As at 30 June 2012, trade receivables of RMB500,000 were past due but not impaired (31 December 2011: RMB5,940,000). These relate to a number of independent customers for whom there is no recent history of default and were fully settled in July 2012. The Group does not hold any collateral as security over these debtors. The ageing analysis of these receivables is as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Past due by less than 3 months but not impaired	500	5,940

During the period, no trade receivables were impaired. As at 30 June 2012 and 31 December 2011, no trade receivables are considered to be impaired.

The carrying amounts of trade receivables approximate their fair values.

## 13. Trade and Other Payables

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Trade payables	97,393	131,911
Bills payable	29,698	51,475
Trade and bills payables	<b>127,091</b>	183,386
Accrued sales rebates	23,055	23,039
Other accrued expenses	20,345	20,937
Directors' fees and emoluments payable	6,755	5,915
Payables of share issuance costs	—	17,914
Sundry creditors	7,406	22,639
	<b>184,652</b>	273,830

## Notes to the Condensed Consolidated Interim Financial Information

### 13. Trade and Other Payables (continued)

The credit periods granted by suppliers generally range from 30 to 60 days. As at 30 June 2012 and 31 December 2011, the aging analysis of trade payables is as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Less than 30 days	54,250	105,459
31 days–90 days	41,996	26,452
Over 90 days	1,147	—
	<b>97,393</b>	131,911

Bills payable of the Group amounting to RMB29,698,000 (31 December 2011: RMB51,475,000) were secured by pledged bank deposits of RMB8,244,000 (31 December 2011: RMB18,010,000).

The bills payable were with average maturity period of within six months.

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

### 14. Borrowings

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Short-term bank borrowings	<b>87,000</b>	157,000

At 30 June 2012 and 31 December 2011, the short-term bank borrowings were guaranteed by subsidiaries of the Group.

The weighted average effective interest rate of the short-term bank borrowings as at 30 June 2012 was 7.66% (31 December 2011: 7.23%) per annum.

The carrying amounts of the short-term bank borrowings approximate their fair values.

## 15. Commitments

### (a) Capital commitments

As at 30 June 2012, the Group had the following capital commitments not provided for in respect of land use rights and property, plant and equipment:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Authorised but not contracted for in respect of — property, plant and equipment	20,857	25,417
Contracted but not provided for in respect of — property, plant and equipment	70,118	149,272
	90,975	174,689

### (b) Operating lease commitments

As at 30 June 2012, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Not later than one year	48	355

The Company did not have any significant commitment as at 30 June 2012 and 31 December 2011.





# Other Information

## Change of Company Name

Pursuant to a special resolution duly passed at the annual general meeting of the Company held on 31 May 2012 and an approval from the Registrar of Companies in Bermuda on 5 June 2012, the name of the Company has been changed from “China Lifestyle Food and Beverages Group Limited” to “Labixiaoxin Snacks Group Limited” and “蠟筆小新休閒食品集團有限公司” has been adopted as the Company’s secondary name with effect from 1 June 2012.

## Share Option Scheme

On 23 September 2011, the Company conditionally adopted a share option scheme (the “Share Option Scheme”) whereby the board of Directors (the “Board”) can grant options for the subscription of shares of the Company (the “Shares”) to any directors of the Company (“Directors”), employees and officers of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group who the Board considers that they will contribute or have contributed to the Group (the “Eligible Participants”) as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing which was 112,560,000 Shares, representing 10% of the issued share capital of the Company as at the date of this Interim Report. The total number of Shares which may be issued upon exercise of all the options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the Shares in issue from time to time. Unless otherwise approved by the shareholders of the Company, the number of Shares that may be granted to a Eligible Participant (including both exercised, cancelled and outstanding options) under the Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the Shares in issue. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share on the date of grant. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is granted and shall remain effective within a period of 10 years from that relevant date of grant.

## Movements of the share options granted under the Share Option Scheme

On 30 March 2012, 15,000,000 share options were granted to certain employees of the Group with an exercisable period from 31 March 2012 to 30 March 2017 at an exercise price of HK\$2.68 per Share. There are three vesting periods for these share options. The estimated fair value of these share options was approximately RMB8,003,000, based on the Black-Scholes valuation model. The variables and assumptions used in computing the fair value of the share options are based on the Company’s best estimate. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option. The significant inputs into the model are as follows:

Date of grant:	30 March 2012
Exercise price:	HK\$2.68 per Share
Expected life:	2.57 years–3.79 years
Risk-free rate:	0.28%–0.39%
Expected volatility:	41.03%–45.43%
Expected dividend yield:	2.24%

None of the options granted as stated above were granted to a director, chief executive or substantial shareholder of the Company nor an associate (as defined in the Listing Rules) of any of them. Save as disclosed above, no other options have been granted during the six months ended 30 June 2012.

Movement of the share options granted during the six months ended 30 June 2012 are as follows:

Exercise period	Number of ordinary shares subject to share options granted under the Share Option Scheme				
	Outstanding as at 1 January 2012	Granted during the period ended 30 June 2012	Exercised during the period ended 30 June 2012	Lapsed during the period ended 30 June 2012	Outstanding as at 30 June 2012
31 March 2013 to 30 March 2017	—	7,000,000	—	—	7,000,000
31 March 2014 to 30 March 2017	—	5,000,000	—	—	5,000,000
31 March 2015 to 30 March 2017	—	3,000,000	—	—	3,000,000
<b>Total</b>	—	<b>15,000,000</b>	—	—	<b>15,000,000</b>

## Interest and Short Positions of Directors in the Shares, Underlying Shares or Debentures

As at 30 June 2012, the interest and short positions of the Directors and the chief executives and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code"), are as follows:

### (i) Long position in shares and underlying shares of the Company

Name of Director/Chief Executive	Nature of Interest	Number of Shares interested	Approximate percentage of interest in the Company	Note
Zheng Yu Long	Interest of a controlled corporation	610,915,527	54.3%	1
	Beneficial owner	110,208,060	9.8%	
Zheng Yu Shuang	Interest of a controlled corporation	610,915,527	54.3%	1
Zheng Yu Huan	Interest of a controlled corporation	610,915,527	54.3%	1
Li Hung Kong	Interest of a controlled corporation	610,915,527	54.3%	1
Li Gang	Beneficial owner	123,429	0.01%	

Note:

- (1) The 610,915,527 Shares are beneficially owned by Alliance Food And Beverages (Holding) Company Limited ("Alliance Holding"), a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the shares held by Alliance Holding for the purpose of the SFO.



## Other Information

### (ii) Long position in shares and underlying shares of the associated corporation

Name of Director	Name of associated corporation	Total number of shares held in associated corporation	Approximate percentage of issued share capital of associated corporation
Zheng Yu Long	Alliance Holding	28	28%
Zheng Yu Shuang	Alliance Holding	28	28%
Zheng Yu Huan	Alliance Holding	28	28%
Li Hung Kong	Alliance Holding	16	16%

Save as disclosed above, as at 30 June 2012, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### Substantial Shareholders' Interests and Short Positions

As at 30 June 2012, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of shareholder	Beneficial owner	Interest of a controlled corporation	Investment manager	Total interest in shares	Approximate percentage of shareholding	Note
Alliance Holding	610,915,527	—	—	610,915,527(L)	54.3%	2
Zheng Yu Long	110,208,060	610,915,527	—	721,123,587(L)	64.10%	2
Zheng Yu Shuang	—	610,915,527	—	610,915,527(L)	54.3%	2
Zheng Yu Huan	—	610,915,527	—	610,915,527(L)	54.3%	2
Li Hung Kong	—	610,915,527	—	610,915,527(L)	54.3%	2
COFCO Agriculture and Food Investment Limited	72,000,000	—	—	72,000,000(L)	6.4%	3
	72,000,000	—	—	72,000,000(S)	6.4%	
COFCO (BVI) Limited	—	72,000,000	—	72,000,000(L)	6.4%	3
	—	72,000,000	—	72,000,000(S)	6.4%	
COFCO Corporation	—	72,000,000	—	72,000,000(L)	6.4%	3
	—	72,000,000	—	72,000,000(S)	6.4%	
Pacific Alliance Asia Opportunity Fund L.P.	88,188,000	—	—	88,188,000(L)	7.83%	4
	—	88,300,000	—	88,300,000(S)	7.84%	
Pacific Alliance Group Asset Management Limited	—	—	88,188,000	88,188,000(L)	7.83%	4
	—	—	88,300,000	88,300,000(S)	7.84%	
Pacific Alliance Group Limited	—	88,188,000	—	88,188,000(L)	7.83%	4
	—	88,300,000	—	88,300,000(S)	7.84%	
Pacific Alliance Investment Management Limited	—	88,188,000	—	88,188,000(L)	7.83%	4
	—	88,300,000	—	88,300,000(S)	7.84%	
PAG Holdings Limited	—	88,188,000	—	88,188,000(L)	7.83%	4
	—	88,300,000	—	88,300,000(S)	7.84%	

Notes:

- (1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.
- (2) The 610,915,527 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the Shares held by Alliance Holding for the purpose of the SFO.
- (3) COFCO Agriculture and Food Investment Limited is wholly owned by COFCO (BVI) Limited, which is in turn wholly owned by COFCO Corporation. Accordingly, each of COFCO (BVI) Limited and COFCO Corporation is deemed to be interested in the Shares held by COFCO Agriculture and Food Investment Limited for the purpose of the SFO.
- (4) Pacific Alliance Group Asset Management Limited is the general partner of Pacific Alliance Asia Opportunity Fund L.P.. Pacific Alliance Investment Management Limited is the investment manager of Pacific Alliance Asia Opportunity Fund L.P.. Pacific Alliance Investment Management Limited is a subsidiary of Pacific Alliance Group Limited, which in turn is a subsidiary of PAG Holdings Limited. Accordingly, each of Pacific Alliance Group Asset Management Limited, Pacific Alliance Investment Management Limited, Pacific Alliance Group Limited and PAG Holdings Limited is deemed to be interested in the interests of Pacific Alliance Asia Opportunity Fund L.P. for the purpose of the SFO. Pacific Alliance Asia Opportunity Fund L.P. is wholly owned by PA Marco Opportunity IX Limited, which holds a short position in the shares.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2012.

## Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012.

## Corporate Governance

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2012, the Board is of the view that, for the period from the listing of the Company on The Stock Exchange of Hong Kong Limited in December 2011 till 31 March 2012, the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "Old Code") set out in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set forth therein the Old Code and for the period from 1 April 2012 till 30 June 2012, the Company has complied with the code provisions included in the amendments made to the Old Code which took effect since 1 April 2012 (the "New Code") except for the following deviation:

### Code provision A.6.7

Code provision A.6.7 of the New Code requires that the independent non-executive Directors and the non-executive Directors should attend the general meetings. However, due to other business commitment, the independent non-executive Director, Mr. Li Zhi Hai and the non-executive Directors, Mr. Li Hung Kong and Mr. Li Gang did not attend the annual general meeting of the Company held on 31 May 2012.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct for dealings in securities of the Company by the Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and all Directors confirmed that they have complied with the Model Code throughout the period for the six months ended 30 June 2012.



## Other Information

### Purchase, Sale and Re-Purchase of Shares

During the six months period ended 30 June 2012, there was no purchase, sale and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries.

### Sufficiency of Public Float

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float throughout the period for the six months ended 30 June 2012.

### Audit Committee

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Mr. Chung Yau Tong, Mr. Li Zhi Hai and Mr. Sun Kam Ching. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including review of the interim results of the Group for the six months ended 30 June 2012.

### Publication of Interim Report

This interim report is published on the websites of the Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)) and the Company (<http://www.lbxxgroup.com>). This report will be despatched to the shareholders of the Company and made available for review on the aforesaid websites.

For and on behalf of the Board

**Labixiaoxin Snacks Group Limited**

**Zheng Yu Long**

*Chairman*

Hong Kong, 17 August 2012