CHINA LIFESTYLE FOOD AND BEVERAGES GROUP LIMITED
中國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 2011

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2011	2010	Change
	RMB'million	*RMB'million*	*+/(-)%*
Key income statement items			
Sales	**1,279.7**	931.7	37.4
Gross Profit	**512.5**	342.0	49.9
EBITDA[1]	**332.4**	203.9	63.0
Profit for the year	**221.7**	147.8	50.0
Key performance indicators			
Gross profit margin	**40.0%**	36.7%	3.3%
EBITDA margin	**26.0%**	21.9%	4.1%
Net profit margin	**17.3%**	15.9%	1.4%
Return on equity[2]	**24.6%**	22.8%	1.8%
Earnings per share			
— Basic	**RMB0.25**	RMB0.18	38.9%
— Diluted	**RMB0.25**	RMB0.18	38.9%
Final dividend per share[3]	**RMB0.05**	—	N/A

1. EBITDA refers to earnings before interests, income tax, depreciation and amortisation.
2. Return on equity is calculated using profit for the year divided by average of monthly ending equity balance for the year.
3. The Company proposed a final dividend of RMB0.05 per share, subject to the shareholders' approval at the forthcoming annual general meeting to be held on 31 May 2012.

The board of directors (the "**Board**") of China Lifestyle Food and Beverages Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, as the "**Group**") for the year ended 31 December 2011, together with comparative figures for the corresponding year of 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011** *RMB'000*	2010 *RMB'000*
Sales	3	**1,279,712**	931,680
Cost of sales	5	**(767,213)**	(589,682)
Gross profit		**512,499**	341,998
Other income	4	**2,615**	1,573
Selling and distribution expenses	5	**(169,241)**	(134,790)
Administrative expenses	5	**(56,470)**	(44,854)
Other (losses)/gains, net	6	**(4,320)**	2,314
Operating profit		**285,083**	166,241
Finance costs	7	**(8,757)**	(3,518)
Provision for impairment of loans to an associated company		**—**	(1,778)
Share of loss of a jointly controlled entity		**—**	(432)
Gain on disposal of investment in a jointly controlled entity		**—**	344
Profit before income tax		**276,326**	160,857
Income tax expense	8	**(54,630)**	(13,019)
Profit and total comprehensive income for the year		**221,696**	147,838
Earnings per share attributable to equity holders of the Company *(RMB per share)*	9		
— Basic		**0.25**	0.18
— Diluted		**0.25**	0.18

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		**154,239**	110,600
Property, plant and equipment		**778,378**	551,675
Deposits for property, plant and equipment		**67,438**	26,095
Interests in an associated company		**—**	—
Deferred income tax assets		**3,728**	2,784
		1,003,783	691,154
Current assets			
Inventories		**80,134**	76,860
Trade receivables	11	**243,330**	147,615
Prepayments and other receivables		**18,102**	31,968
Pledged bank deposits		**18,010**	27,904
Cash and cash equivalents		**521,949**	18,236
		881,525	302,583
Total assets		**1,885,308**	993,737
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**403,984**	205,644
Share premium		**550,787**	151,230
Other reserves		**(1,739)**	(26,435)
Retained earnings		**480,263**	323,263
Total equity		**1,433,295**	653,702
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**9,245**	7,011
Current liabilities			
Trade and other payables	12	**273,830**	229,684
Borrowings	13	**157,000**	92,000
Current income tax liabilities		**11,938**	11,340
		442,768	333,024
Total liabilities		**452,013**	340,035
Total equity and liabilities		**1,885,308**	993,737
Net current assets/(liabilities)		**438,757**	(30,441)
Total assets less current liabilities		**1,442,540**	660,713

NOTES:

1. GENERAL INFORMATION

China Lifestyle Food and 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.

During the year, the Company completed its initial public offering on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company's shares were listed on the Stock Exchange on 9 December 2011.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS 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.

(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 2011. 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.

IFRSs (Amendment)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related party disclosure
IAS 32 (Amendment)	Classification of right issues
IFRIC — Int 14 (Amendment)	Prepayments of a minimum funding requirement
IFRIC — Int 19	Extinguishing financial liabilities with equity instruments

(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 2012 and which the Group has not early adopted.

IAS 1 (Amendment)	Presentation of financial statements[2]
IAS 12 (Amendment)	Deferred tax: recovery of underlying assets[1]
IAS 19 (Amendment)	Employee benefits[2]
IAS 27 (2011)	Separate financial statements[2]
IAS 28 (2011)	Investments in associates and joint ventures[2]
IAS 32 (Amendment)	Financial instruments: Presentation — offsetting financial assets and financial liabilities[3]
IFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters[1]
IFRS 7 (Amendment)	Disclosures — transfers of financial assets[1]
IFRS 7 and IFRS 9 (Amendments)	Mandatory effective date and transition disclosures[4]
IFRS 9	Financial instruments[4]
IFRS 10	Consolidated financial statements[2]
IFRS 11	Joint arrangements[2]
IFRS 12	Disclosure of interests in other entities[2]
IFRS 13	Fair value measurement[2]
IFRIC — Int 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for the Group for annual periods beginning on or after 1 January 2012
2 Effective for the Group for annual periods beginning on or after 1 January 2013
3 Effective for the Group for annual periods beginning on or after 1 January 2014
4 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 food and beverages 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. Other products

CODM assesses the performance of the operating segments based on measure of segment results. Finance costs, share of result of a jointly controlled entity, 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.

Sales to external customers are after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

During the year, none of the individual customer account for 10% or more of the Group's external revenue (2010: none). As at 31 December 2011 and 2010, substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

	Year ended 31 December 2011			
	Jelly products *RMB'000*	**Confectionary products** *RMB'000*	**Other products** *RMB'000*	**Reportable segments Total** *RMB'000*
Revenue				
Sales to external customers	**1,007,146**	**166,258**	**106,308**	**1,279,712**
Cost of sales	**(594,439)**	**(101,074)**	**(71,700)**	**(767,213)**
Gross profit	**412,707**	**65,184**	**34,608**	**512,499**
Results of reportable segments	**274,284**	**46,220**	**22,754**	**343,258**
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				**343,258**
Corporate income				**3,386**
Corporate expenses				**(61,561)**
Operating profit				**285,083**
Finance costs				**(8,757)**
Profit before income tax				**276,326**
Income tax expense				**(54,630)**
Profit for the year				**221,696**
Amortisation of land use rights	**3,161**	**—**	**—**	**3,161**
Depreciation of property, plant and equipment	**43,596**	**—**	**1,756**	**45,352**

	Year ended 31 December 2010			
	Jelly products *RMB'000*	Confectionary products *RMB'000*	Other products *RMB'000*	Reportable segments Total *RMB'000*
Revenue				
Sales to external customers	775,815	106,115	49,750	931,680
Cost of sales	(477,199)	(73,636)	(38,847)	(589,682)
Gross profit	298,616	32,479	10,903	341,998
Results of reportable segments	183,192	20,580	3,436	207,208

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

Results of reportable segments				207,208
Corporate income				4,493
Corporate expenses				(45,460)
Operating profit				166,241
Finance costs				(3,518)
Provision for impairment of loans to an associated company				(1,778)
Share of loss of a jointly controlled entity				(432)
Gain on disposal of investment in a jointly controlled entity				344
Profit before income tax				160,857
Income tax expense				(13,019)
Profit for the year				147,838
Amortisation of land use rights	2,380	—	—	2,380
Depreciation of property, plant and equipment	36,367	—	1,280	37,647

4. OTHER INCOME

	2011 *RMB'000*	2010 *RMB'000*
Rental income	**876**	1,043
Interest income on bank deposits	**1,147**	530
Government subsidy	**592**	—
	2,615	1,573

5. EXPENSES BY NATURE

	2011 *RMB'000*	2010 *RMB'000*
Purchases of raw materials, finished goods and consumables	**688,596**	534,142
Changes in inventories of raw materials and finished goods	**(3,274)**	(15,363)
Advertising and promotion expenses	**96,404**	77,675
Employee benefit expenses (including directors' emoluments)	**82,981**	73,043
Depreciation of property, plant and equipment	**45,352**	37,647
Freight and transportation expenses	**41,938**	35,681
Share issuance costs	**3,383**	—
Amortisation of land use rights	**3,161**	2,380
Auditor's remuneration	**1,800**	1,800
Operating leases rentals	**370**	345
Other expenses	**32,213**	21,976
Total cost of sales, selling and distribution and administrative expenses	**992,924**	769,326

6. OTHER (LOSSES)/GAINS, NET

	2011 *RMB'000*	2010 *RMB'000*
Gain on sales of scrap materials	**771**	2,920
Loss on disposal of property, plant and equipment	**(1,509)**	(375)
Exchange losses, net	**(3,582)**	(231)
	(4,320)	2,314

7. FINANCE COSTS

	2011 *RMB'000*	2010 *RMB'000*
Interest expenses on bank borrowings	**8,757**	3,518

8. INCOME TAX EXPENSE

	2011 *RMB'000*	2010 *RMB'000*
Current income tax — PRC	**53,340**	32,007
Overprovision in prior year	**—**	(24,492)
Deferred income tax	**1,290**	5,504
	54,630	13,019

During the year, the Group did not have any assessable income in Bermuda, BVI and Hong Kong (2010: Nil).

The subsidiaries in the PRC are subject to income tax rate of 25% (2010: 25%) on their taxable profit during the year. 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 an 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 subject to review and renewal every three years.

In addition, pursuant to Article 9 of Circular Caishui [2009] No.59 issued on 30 April 2009, which became effective retrospectively on 1 January 2008, a subsidiary under the full-exemption tax holiday period in 2008 and 2009 was subject to an income tax rate of 25% in 2008 and 2009. Consequently, a provision for income tax liability amounting to RMB21,400,000 was made in the year ended 31 December 2009. In 2010, the directors have sought clarification from the relevant PRC tax authorities on the tax position of the subsidiary and determined that the subsidiary can continue to enjoy the tax holiday till its expiry in 2012. As such, the subsidiary has written back the tax provision in 2010.

The income tax expense on profit differs from the amount that would arise using the PRC applicable income tax rate is as explained below:

	2011 ***RMB'000***	2010 *RMB'000*
Profit before income tax	**276,326**	160,857
Tax calculated at PRC applicable income tax rate	**69,082**	40,214
Effects of:		
— Tax concession	**(24,943)**	(21,606)
— Different tax rates	**1,059**	669
— Income not subject to tax	**(255)**	(41)
— Expenses not deductible for tax purposes	**2,734**	1,850
— Withholding tax on unremitted profits	**6,680**	17,193
— Overprovision in prior year	**—**	(24,492)
— Others	**273**	(768)
Tax charge	**54,630**	13,019

9. EARNINGS PER SHARE

(a) Basic earnings per share

	2011	2010
Net profit attributable to the equity holders of Company *(RMB'000)*	**221,696**	147,838
Weighted average number of ordinary shares outstanding for basic earnings per share *('000)*	**898,041**	828,000
Basic earnings per share *(RMB per share)*	**0.25**	0.18

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 outstanding during the year.

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 statements.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2011 and 2010 and hence the diluted earnings per share is the same as basic earnings per share.

10. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Final dividend, proposed, of (2011: RMB0.050; 2010: Nil) per share	**56,280**	—
Interim dividends, paid, of (2011: RMB0.079; 2010: RMB0.152) per share	**40,000**	76,650

At a meeting held on 29 March 2012, the directors proposed a final dividend of RMB0.05 per share. The proposed dividends are not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

11. TRADE RECEIVABLES

The Group's sales are generally on credit term ranging from 30 to 90 days. As at 31 December 2011, the aging analysis of trade receivables, based on invoice date, is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Less than 30 days	**164,619**	133,161
31 days–90 days	**72,771**	14,454
Over 90 days	**5,940**	—
	243,330	147,615

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 31 December 2011, trade receivables of RMB5,940,000 (2010: Nil) 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:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Past due by less than 3 months but not impaired	**5,940**	—

During the year, no trade receivables were impaired (2010: Nil). As at 31 December 2011 and 2010, no trade receivables are considered to be impaired.

The carrying amounts of trade receivables approximate their fair values.

12. TRADE AND OTHER PAYABLES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Trade payables	**131,911**	114,509
Bills payable	**51,475**	67,548
Trade and bills payables	**183,386**	182,057
Accrued sales rebates	**23,039**	17,676
Other accrued expenses	**20,937**	17,749
Directors' fees and emoluments payable	**5,915**	4,282
Payables of share issuance costs	**17,914**	—
Sundry creditors	**22,639**	7,920
	273,830	229,684

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Less than 30 days	**105,459**	92,329
31 days–90 days	**26,452**	20,624
Over 90 days	**—**	1,556
	131,911	114,509

Bills payable of the Group amounting to RMB51,475,000 (2010: RMB67,548,000) were secured by pledged bank deposits of RMB18,010,000 (2010: RMB27,904,000).

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

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

13. BORROWINGS

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Short-term bank borrowings	**157,000**	92,000

At 31 December 2010, the short-term bank borrowings were secured by corporate guarantee from a third party and guaranteed by certain directors and a subsidiary of the Group. The corporate guarantee from the third party and personal guarantees of the directors were subsequently released in March 2011. At 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 31 December 2011 was 7.23% (2010: 5.54%) per annum.

Certain short-term borrowing contracts of a subsidiary with a bank contain covenant clauses which require the subsidiary to meet stipulated financial ratios. As at 31 December 2010, the subsidiary did not meet certain of the stipulated financial ratios. Accordingly, the bank was contractually entitled to request early repayment of the outstanding amount of RMB43,000,000. However, the bank did not request for early repayment for the bank borrowings of RMB43,000,000 as at 31 December 2010, and these borrowings were repaid on their respective maturity dates. Subsequent to 31 December 2010, the subsidiary had obtained a waiver in respect of the aforementioned covenant requirements for the bank borrowings of RMB43,000,000 as at 31 December 2010.

During the year ended 31 December 2011, the subsidiary has obtained new short-term bank borrowings of RMB32,000,000 from the same bank which also require the subsidiary to meet stipulated financial ratios. The subsidiary did not meet one of the stipulated financial ratios during the year. However, the bank did not request for early repayment for these bank borrowings, and these borrowings were repaid on their respective maturity dates during the year.

In addition, this subsidiary has a short-term bank borrowing from another bank amounting to RMB30,000,000 as at 31 December 2010. The borrowing contract for this short-term borrowing contains certain cross-default clauses. Due to the breach of the aforementioned bank covenants, this bank was also entitled to request early repayment of the outstanding amount of this loan before its maturity. The bank did not request for early repayment and the loan was subsequently repaid on the maturity date during the year.

As at 31 December 2011, the Group was in compliance with the covenant clauses of the bank borrowing contracts.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is pleased to deliver a promising result for the year ended 31 December 2011 under a very challenging macro environment. The operating environment in 2011 for snack industry in PRC was coupled with high inflation, with the operating costs continuously rising throughout the year. The increase in costs is broad-based, reflecting increase in raw material costs, labor costs and transportation costs, etc. People are more selective to their daily consumption. Despite that, total sales of the Group increased by 37.4% from the year 2010. Gross profit margin, EBITDA margin and net profit margin all showed significant improvement as compared with the year 2010. Net profit surged 50.0% from the year 2010, which also represents 8.1% more than the profit forecast as mentioned in the prospectus of the Company dated 29 November 2011. Cash flow was strong with operating cash flow increased by 41.2% to RMB233.7 million in year 2011.

During the year, the Group had enlarged its share-base and engaged COFCO Corporation in March 2011 and other professional investors upon the listing of the Company (the "**Listing**") on the Stock Exchange in December 2011. This provided the required capital to speed up the Group's expansion plans and also laid down solid foundation for future development.

SALES

Sales surged 37.4% to RMB1,279.7 million in 2011. Volume growth was the primary driver to such increase. This was mainly due to solid consumption momentum in the PRC and consumers responded favorably to "*Labixiaoxin*" products under the Group's effective marketing and distribution strategies. The Group also expanded its distribution networks via engaging more distributors to cover new areas or new distribution channels. As at the year end of 2011, the Group had altogether 214 wholesale distributors and key account agents as compared to a total of 152 as at the year end of 2010. Furthermore, the new production facilities that provided the additional production capacity were one of the primary factors to the top-line growth.

During the year, product price was also stepping up partly due to the brand name effect, as well as change in sales model to key account customers. Key account customers are typically large supermarket or hypermarket chains with a national or regional presence in China. Under the new sales model, the Group has a closer relationship and a direct communication with the key account customers to negotiate terms of sales, location and size of shelves in the stores, etc. The Group also engaged key account agents who primarily provide logistic and administrative services to distribute the Group's products to the key account customers. In addition, the Group typically grants longer credit term of 90 days to its key account agents, which is basically in line with credit term offered by the key account customers. Under the new sales model, the Group was selling its products at higher ex-factory price and thus achieved higher profit margin, at the costs of more resources allocated for liaison with key account customers and monitoring product display at the retail outlets. The new sales model also required more working capital due to longer credit term for sales. However, the new sales model would enable the Group to leverage on the modern retailers' reputation and wide customer base to enhance its market position and consumers' confidence to its products. The sales via key account agents accounted for 16.4% of the total sales in year 2011.

Jelly products

Sales of jelly products increased by 29.8% from RMB775.8 million in 2010 to RMB1,007.1 million in 2011, of which sales attributable to jelly snacks and jelly beverages increased by 22.2% to RMB648.1 million and 46.2% to RMB359.0 million, respectively. The increase was mainly attributable to the increasing popularity of the brand and strong demand of the Group's products that are selling via extended distribution network across the PRC. Moreover, the production facilities that commenced operation in the second half of 2010 relieved the capacity constraints, which was prerequisite to the growth.

Confectionary products

Sales of confectionary products increased by 56.7% from RMB106.1 million in 2010 to RMB166.3 million in 2011. The growth was mainly driven by increasing demand and expanded product menu promoted by effective marketing campaigns.

Other products

Sales of other products increased by 113.7% from RMB49.8 million in 2010 to RMB106.3 million in 2011. This was mainly due to products that were newly launched, which contributed RMB38.3 million to sales. Sales of milk-tea powder also increased 41.9% from RMB47.9 million in 2010 to RMB68.0 million in 2011.

COST OF SALES

Cost of sales increased by 30.1% from RMB589.7 million in 2010 to RMB767.2 million in 2011 as sales, raw material costs and production costs increased during the year 2011. While there was an overall industry challenge on costs during the year, the Group's pressure was relatively less than some of its peers as the increase of cost of the major raw materials used for the Group's core jelly products i.e. packaging materials, was rather modest.

GROSS PROFIT

Gross profit increased 49.9% from RMB342.0 million in 2010 to RMB512.5 million in 2011, and gross profit margin increased by 3.3 percentage points from 36.7% in 2010 to 40.0% in 2011. The Group noted a margin improvement for all product series partly due to the change in sales model during the year, that led to higher gross profit margin for sales to key account agents. The Group also managed to take the necessary pricing to mitigate impact from the increase in costs which demonstrated the strength of brand and its effective marketing and distribution strategies.

OTHER INCOME

The Group's other income during the year increased 66.2% from RMB1.6 million in 2010 to RMB2.6 million in 2011, the increase was mainly attributable to the government subsidy to new production plant and increase in interest income from bank deposits.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 25.6% from RMB134.8 million in 2010 to RMB169.2 million in 2011 primarily due to the increase in advertising and promotion expenses, freight and transportation expenses and operating expenses of sales department.

During the year, the Group cautiously increased its advertising and promotion expenses which surged 24.1% from RMB77.7 million in 2010 to RMB96.4 million in 2011, representing 7.5% of sales in 2011 compared to 8.3% of sales in 2010. Freight and transportation expenses increased by 17.5% from RMB35.7 million in 2010 to RMB41.9 million in 2011 as sales increased. The logistic arrangement for product distribution across the PRC is more efficient and effective after the production facilities at Western China had commenced operation. Freight and transportation expenses accounted for 3.3% of the total sales in 2011, representing a decrease of 0.5 percentage point as compared to 2010. Operating expenses of sales department increased fairly in line with sales.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 25.9% from RMB44.9 million in 2010 to RMB56.5 million in 2011 as the Group's operating scale enlarged. The Group also incurred one-off expenses in relation to its Listing during the year. Despite so, the Group's administrative expenses to sales ratio was 4.4% in 2011, representing a decrease of 0.4 percentage point as compared with the ratio of last year mainly due to management cost control initiatives.

OTHER NET LOSSES/GAINS

Balance mainly comprised net exchange losses, loss on disposal of machinery and equipment, net gain on sales of scrap materials. During the year, the Group incurred net losses of RMB4.3 million, primarily due to exchange loss caused by appreciation of Renminbi against the capital raised during the year. Furthermore, the Group derived less gain from sales of scrap materials during the year.

INCOME TAX EXPENSE

The Group's income tax increased by 319.6% from RMB13.0 million in 2010 to RMB54.6 million in 2011. The effective tax rate increased by 11.7 percentage points to 19.8% in 2011. The increase was mainly due to the inclusion of tax provision written-back amounted to RMB24.5 million for the year 2010. Excluding such item, effective tax rate of the year 2010 was 23.3%.

PROFIT FOR THE YEAR

Profit for the year increased by 50.0% from RMB147.8 million in 2010 to RMB221.7 million in 2011. The net profit margin improved by 1.4 percentage points from 15.9% in 2010 to 17.3% in 2011. The increase was primarily due to price adjustment, change in sales model to key account customers, disciplined execution of cost control and benefit from economies of scale.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2011.

FINANCIAL REVIEW

Financial resources and liquidity

The Group mainly finances its operations and capital expenditure by operating cash flows, banking facilities provided by its principal bankers and capital raised from issue of new shares.

As at 31 December 2011, the bank balances and deposits amounted to RMB540.0 million, representing an increase of more than ten times as compared with year 2010 mainly due to proceeds received from Listing in December 2011 and strong operating cash flow. Over 70% of the Group's cash and bank balances were denominated in RMB.

Total borrowings of the Group as at 31 December 2011 increased by 70.7% to RMB157.0 million. All borrowings were denominated in RMB. The Group was in a net cash position (bank balances and deposits less total borrowings) of RMB383.0 million as at 31 December 2011 (2010: net debts of RMB45.9 million), which was primarily due to the capital raised from issuance of new shares and strong operating cash flow.

Gearing ratio (total borrowings divided by total equity) as at 31 December 2011 was 11.0% (2010: 14.1%). The Group maintains 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

Cash flow generated from operating activities surged 41.2% from RMB165.5 million in 2010 to RMB233.7 million in 2011. The Group has spent RMB360.6 million in investing activities mainly for expansion of production facilities. The Group has also raised RMB630.6 million from financing activities which primarily represents proceeds received from issuance of new shares during the year and bank borrowings.

Capital expenditure

Given the dynamic consumption sentiment in the PRC and the increasing demand to the Group's products, the Group expands the production capacity from time to time. The construction of production plant at Western China has been completed and has commenced operation in second half of 2010 that brought an immediate economic benefit to the Group in 2011. The Group is building a new factory at Anhui Province in this year to support the markets at Eastern and Central China in the future. In addition, the Group is also expanding its production capacity of the existing production plants. The Group spent RMB361.9 million (2010: RMB104.3 million) for capital expenditure in 2011 which was mainly for acquisition of land parcel, construction of factories, warehouses and staff quarters and acquisition of new machinery and equipment.

The above capital expenditure was primarily financed by proceeds received from pre-IPO investment prior to Listing, banking facilities and operating cash flows.

Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, and other products, as well as raw materials and packaging materials. Balance increased by 4.3% from RMB76.9 million in 2010 to RMB80.1 million in 2011, as the scale of transaction increased. The inventories turnover days for year 2011 and 2010 were 30 days and 29 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from customers. 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 increased by 64.8% from RMB147.6 million in 2010 to RMB243.3 million in 2011, partly due to the increase in sales and partly due to the change in sales model. The trade receivables turnover days also increased by 15 days from 33 days in 2010 to 48 days in 2011 mainly due to longer credit term the Group granted to key account agents during the year.

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 year 2011 and 2010 were 86 days and 85 days respectively.

Charges on assets

As at 31 December 2011, the Group had no charge on assets (2010: Nil).

Contingent liabilities

As at 31 December 2011, the Group had no contingent liabilities (2010: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2011, the Group had approximately 2,300 employees (2010: 2,490 employees) and total remuneration expenses for the year in 2011 amounted to RMB83.0 million (2010: RMB73.0 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. The Group also has a discretionary share option scheme which is designed to award employees for their performance.

FUTURE PLAN AND PROSPECTS

The Group expects that the business environment for the upcoming years will remain difficult with volatile operating costs for the industry, which is unlikely to change in the near future. Yet the Group is encouraged by the robust consumption momentum in the PRC that gives the Group great confidence when develops its plan.

The Group will leverage on the brand and distribution network that has developed to further enhance its market position. In order to achieve this, the Group will continuously implement various effective marketing activities to enhance the brand awareness and catch the eye-balls of consumers. The Group plans to maintain its advertising and promotion expenditures at a range of 8% to 10% of sales in the year 2012. In addition, the Group will continuously broaden its product portfolio to offer more choices of good quality and healthy snacks to the consumers. The Group will also expand its distribution network to cover new areas and new distribution channels by engaging more wholesale distributors or coaching the wholesale distributors to engage sub-distributors. The Group implemented the change in sales model to key account customers in the year 2011 and is happy to see the outcome both from the business and financial perspectives. The Group has now engaged 10 key account agents who mainly cover the key account customers at south-east regions. The number of key account agents will, for sure, be increasing to cover other areas. The Group will also fine-tune the sales model, as necessary, to develop long-term relationship with the key account agents and key account customers. The Group expects to spend approximately RMB300 million in capital expenditure in 2012. The amount is mainly for construction project undergoing at Anhui Province and expansion of production capacity at the existing production facilities. The Group expects the production capacity of jelly products will increase to 250,000 tons per annum by end of 2012.

The Company is committed to create another legendary brand of snacks in China and to bring the Group to a new height.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the year.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company has a net proceeds amounted to approximately RMB455.4 million raised from the Listing. As at 31 December 2011, the Company has not utilised any of the net proceeds from the Listing.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 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 the Company's 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 2011. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2011.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures contained in the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to promote good corporate governance to safeguard the interests of shareholders. The Company set out its corporate governance practices by reference to the CG Code as set out in Appendix 14 to the Listing Rules. Since the date of the Listing and up to 31 December 2011, the Company has complied with the code provisions set forth under the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. The Company has made specific enquiries with 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.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**AGM**") will be held on 31 May 2012 (Thursday). The notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

In order to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Wednesday, 30 May 2012 to Thursday, 31 May 2012 (both dates inclusive). All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Tuesday, 29 May 2012.

PROPOSED FINAL DIVIDENDS AND BOOK CLOSURE FOR ENTITLEMENT OF THE PROPOSED DIVIDEND

The Board has recommended the payment of a final dividend of RMB5 cents per ordinary share of the Company in respect of the year ended 31 December 2011. Subject to the approval of shareholders at the forthcoming AGM, the final dividend will be paid on or about Wednesday, 20 June 2012. The Hong Kong dollars final dividend will be based on the exchange rate of Renminbi against Hong Kong dollars to be determined on Thursday, 31 May 2012, being the date of the 2012 AGM on which the final dividend will be proposed to the shareholders of the Company for approval.

In order to qualify for the above mentioned final dividend, the register of members will be closed from Wednesday, 6 June 2012 to Thursday, 7 June 2012 (both dates inclusive). All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Tuesday, 5 June 2012.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Company for the year ended 31 December 2011 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 2011 will be despatched to shareholders and available at the same websites in due course.

For and on behalf of the Board
China Lifestyle Food and Beverages Group Limited
Zheng Yu Long
Chairman

Hong Kong, 29 March 2012

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 Li Gang as non-executive Directors and Li Zhi Hai, Sun Kam Ching 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.