克莉絲汀

CHRISTINE INTERNATIONAL HOLDINGS LIMITED

克 莉 絲 汀 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1210

Annual Report 2011

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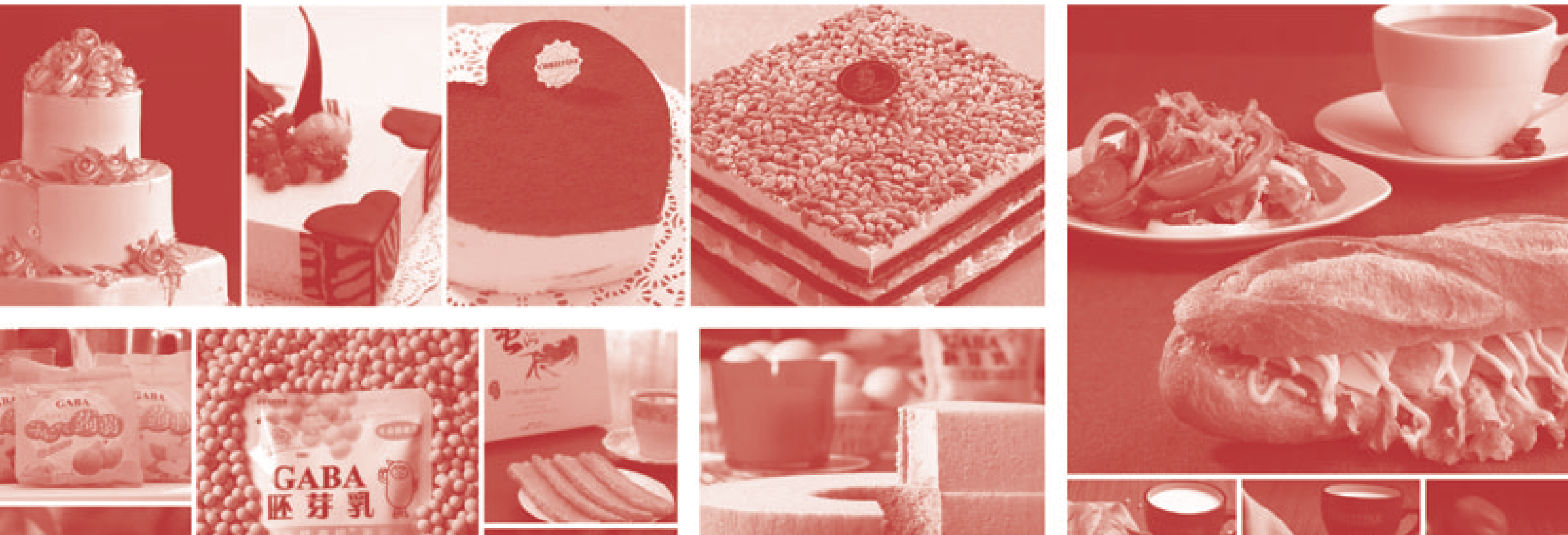

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Tien-An Lo *(Chairman)*
Mr. Dun-Ching Hung
Mr. Chi-Ming Chou

Non-executive Director
Mr. Toshihito Hirasawa

Independent non-executive Directors
Mr. Nianlin Zhu
Mr. Weide Luo
Ms. Wanwen Su

AUDIT COMMITTEE

Mr. Weide Luo *(Chairman)*
Mr. Nianlin Zhu
Ms. Wanwen Su

REMUNERATION COMMITTEE

Mr. Weide Luo *(Chairman)*
Ms. Wanwen Su
Mr. Tien-An Lo

NOMINATION COMMITTEE

Mr. Nianlin Zhu *(Chairman)*
Mr. Weide Luo
Mr. Tien-An Lo

CORPORATE GOVERNANCE COMMITTEE

Ms. Xiuping Zhu *(Chairman)*
Mr. Weilun Liao
Mr. Jianhua Gu
Mr. Wancheng Li

COMPANY SECRETARY

Mr. Liou Kun Chiu, Eddie, *FCIS, FCS, CTA (HK), ATIHK*

AUTHORISED REPRESENTATIVES

Mr. Tien-An Lo
Mr. Liou Kun Chiu, Eddie

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Putuo District
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People's Republic Of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
12th Floor
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPLIANCE ADVISOR

SBI E2-Capital (HK) Limited
Room 905, 9/F.,
Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F
One Pacific Place
88 Queensway
Hong Kong

CHAIRMAN'S STATEMENT

It is a great honour for me, on behalf of the board of directors (the "Board") of Christine International Holdings Limited (the "Company" or "Christine"), to present the first annual report of Christine and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2011 shortly following the Group's listing in Hong Kong. I would also like to express, on behalf of the Board, our appreciation to all the shareholders of the Company (the "Shareholders") and all friends who have given their support to the development of Christine.

During 2011, the Company has focused on expanding its primary business which yielded record high results, while at the same time, the Company injected resources for the purpose of the preparation of its listing which could not have been achieved without the support of the Shareholders and the concerted efforts of all staff. On 23 February 2012 (the "Listing Date"), the shares of the Company (the "Shares") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which enabled Christine to gain a firm foothold onto international capital markets as well as an advantageous position for its rapid development in the coming future.

Financial review

During the year ended 31 December 2011, the Group's sales revenue amounted to approximately RMB1,384,351,000, representing an increase of approximately 7.78% over the corresponding period of the previous year. Net profit amounted to approximately RMB95,821,000, increasing by approximately 8.46% as compared to the corresponding period of the previous year. Basic earnings per Share were approximately RMB0.128, achieving the forecasted annual profit target. The Company's financial position remained strong. As at 31 December 2011, the Group's cash and cash equivalents totalled approximately RMB798,302,000. The Group had no financial institution debts or private borrowings, and had adequate cash for paying cash dividends and sustaining the Company's development. As such, the Board proposes a cash dividend of RMB2.8 cents (approximately equivalent to HKD3.5 cents) per Share for the year 2011.

Business review

Opening of new stores

Although the bakery market was highly competitive, Christine maintained its existing store expansion strategy and opened stores in the main area of the Yangtze River Delta in a fast and intensive manner. The Group added 80 outlets last year, thus ranking first in the industry in terms of expansion speed. As at the end of 2011, the Group had a total of 898 stores, all of which are directly-operated stores.

Innovative and diversified store types

In order to attract young consumers and taking market demand into account, the Group began to open European-style fresh-bake stores with higher contribution to sales revenue since the second quarter of last year. As at the end of 2011, we had seven stores of this type. Currently, our stores comprise of four types, namely, good neighbour stores, subway stores, flagship stores and European-style fresh-bake stores.

CHAIRMAN'S STATEMENT

Growth in per store revenue

By formulating and implementing performance targets, the Group achieved growth of approximately 8.85% in per store revenue, which was the main driving force behind the growth in sales revenue in 2011 as well as in previous years.

Adjustment in product mix

Taking into account the characteristics and large variations in operating income between peak season and non-peak season, the Group launched bottled beverages and canned beverages such as juice, coffee and milk tea. The Group added new types of beverages to sales mix to increase relatively low operating income in the summer, in the hope that this would reduce seasonal variations and increase overall revenue and profits.

Development of new products

During the year under review, we successfully developed 152 new products, of which our newly developed medium well cold chain series products, which are mature products in Europe and the United States, notched up a considerable market share. Different from those room temperature products and frozen dough, this type of products is extremely rare in the Chinese consumer market and far ahead of the competition. Hence it is practicable to conduct omni-directional tests on a variety of sales channels. It will become one of the key focus points in the Group's future development.

Effective food safety control

In 2011, many major food hygiene incidents, including the "dyed steamed bun", "illegal emulsifier" and "gutter oil" incidents, repeatedly battered the reputation of the food industry, and therefore directly hit consumer confidence. Such incidents urged the relevant competent authorities to conduct stringent inspection and supervision. In respect of food safety control, the Company successfully enhanced standardisation, implemented procedures for ingredients inspection, oversaw manufacturing procedures and screened quality assurance, thereby ensuring no food safety problems with the Group's products, which in turn consolidated consumer confidence and government trust in our products and contributed to the long-term good reputation of the Company.

Prospects

As a result of diversified eating habits and the increasing acceptance of western food by the Chinese people, consumption of Western food is becoming more and more widespread and Western food can be found in every corner of China. As such, we believe that the PRC bakery market will keep growing for a long time. However, the level of development thereof very much depends upon the eating habits dictated by the market. As such, the Company will play a proactive role in the future in designing and providing a joyful consumption experience to encourage consumers to taste new products with the aim of achieving customer loyalty in respect of the Group's products.

CHAIRMAN'S STATEMENT

In respect of sales, the Company will in the future carry out established policies to continue to expand its retail outlet network, try to use the modes of operation which may bring more benefits to the Group and identify the best portfolio of store types with a view to improving our per store sales performance through optimising product mix and conducting sales training.

In respect of production, with higher turnover in 2011, production of numerous new products, increase in labour costs and the imminent relocation of the Hangzhou plant, the Company will make corresponding investment in capital expenditure to boost capacity and build new plants, and to enhance the automation degree in production. Research and development on new products is another essential element in driving the growth of the Company, especially the constant development of the Group's key products, the diversification of its varieties of taste will help us expand rapidly in new markets.

The Company will continue to pay attention to the structure of the bakery market and its development trend. To potential partners who complement the Group in nature geographically and commercially within the industry or related industries, we will assess the feasibility of cooperation with them, and extremely welcome their participation in the Group in various ways as long as synergies can be created for the Group.

Appreciation

Christine would like to thank the Stock Exchange and all investors for their continuous support, Christine has the honour of becoming a newcomer in the capital markets. This is the result of years of hard work. We know that the listing of the Company is not the end of a goal, but the beginning of another stage, where new vision, new challenges and new opportunities coexist. The Board and the management will always keep a thankful heart, and will work tirelessly together to build the bakery industry into a happy industry.

On behalf of the Board, I would again like to express my sincere appreciation to all Shareholders, diligent employees and friends from all sectors for providing their support to Christine.

Tien-An Lo
Chairman of the Board

23 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

An analysis of the Group's segment revenue and profit by products type for the years ended 31 December 2011 and 2010 is set out as follows:

	2011 RMB'000		2010 RMB'000	
	Segment revenue	**Segment profit**	Segment revenue	Segment profit
Bread and cakes	**960,154**	**429,104**	889,265	394,479
Moon cakes	**184,277**	**142,116**	180,980	132,489
Pastries	**177,849**	**103,627**	155,442	86,841
Other	**62,071**	**35,996**	58,771	34,467
	1,384,351	**710,843**	1,284,458	648,276

The Group's revenue was approximately RMB1,384.4 million in 2011, representing an increase of 7.8% as compared to approximately RMB1,284.5 million in 2010. The increase in revenue was mainly attributable to the increase in the number of retail outlets and the increase in comparable store sales. The total number of retail outlets increased by 80 from 818 in 2010 to 898 in 2011, while the comparable store growth rate of the Group's original retail outlets reached 8.9%.

In terms of geographical locations, revenue from the Group's retail outlets in Shanghai accounted for approximately 65.4% of the Group's total revenue in 2011, representing a decrease in percentage as compared to 68.9% in 2010. However, Shanghai is still the main source of the Group's revenue and profit. In 2011, revenue from our retail outlets in Shanghai increased by RMB20.5 million or 2.3% as compared to that of 2010 due to its increasingly matured operations. As a result of the Group's increasing efforts made in sales network expansion and marketing in Jiangsu and Zhejiang provinces, revenue from these provinces increased by RMB60.6 million and RMB18.8 million, or 23.5% and 13.2%, respectively, as compared to that of 2010.

In terms of product categories, the Company recorded an increase in operating revenue from each product category in 2011 as compared to that of 2010, among which: revenue from sales of bread and cakes increased by RMB70.9 million or 8.0%; revenue from sales of moon cakes increased by RMB3.3 million or 1.8%; revenue from sales of pastries increased by RMB22.4 million or 14.4%; and revenue from sales of other products increased by RMB3.3 million or 5.6%.

In terms of payment methods, the Group's revenue in retail outlets were transacted either in cash (and bank cards) or through redemption of paper coupons (and pre-paid cards). In 2011, revenue settled by cash (and bank cards) amounted to approximately RMB646.3 million, accounting for 46.7% of total revenue, representing a slight decrease of 3.9% as compared to RMB672.2 million in 2010. Revenue through redemption of paper coupons (and pre-paid cards) amounted to approximately RMB738.1 million, accounting for 53.3% of total revenue, up by approximately 20.5% as compared to RMB612.3 million in 2010.

Gross Operating Profit

The Company's gross operating profit was approximately RMB710.8 million in 2011, representing an increase of approximately 9.6% as compared to RMB648.3 million in 2010, gross profit margin was approximately 51.3%, up by 0.8% from 50.5% in 2010. The increase in profit was mainly attributable to the price adjustment of our existing products to reflect the increased cost of sales due to the increasing fluctuation of raw materials prices, and the strengthening of our bargaining power against raw materials suppliers since the second quarter of 2011.

Other income and gains and expenses

Other income and gains and expenses of the Group increased by approximately RMB13.6 million from approximately RMB23.2 million in 2010 to approximately RMB36.8 million in 2011, primarily attributable to an increase in interest income of approximately RMB9.4 million and an increase in gains on expired unpresented coupons of approximately RMB2.1 million.

Other expenses

Other expenses increased by approximately RMB16.4 million from approximately RMB1.9 million in 2010 to RMB18.3 million in 2011, primarily due to expenses of approximately RMB17.3 million incurred in connection with the listing of the Company.

Distribution and selling expenses

Distribution and selling expenses increased by approximately RMB42.6 million from approximately RMB469.6 million in 2010 to RMB512.2 million in 2011, primarily due to an increase of payroll expense resulting from the growth in the number of retail outlets and the increase in average salary level, as well as the increase of rental expense of approximately RMB14.2 million as the number of retail outlets grows.

Administrative expenses

Administrative expenses increased by approximately RMB3.2 million from approximately RMB82.5 million in 2010 to approximately RMB85.7 million in 2011, primarily due to an increase in staff costs of approximately RMB1.7 million and an increase in other tax expenses of approximately RMB2.3 million.

Finance costs

Finance costs are interest expenses of approximately RMB1.4 million associated with the Group's borrowings denominated in USD, which had been repaid in 2011.

Income tax expense

Income tax expense increased by approximately RMB5.7 million from approximately RMB28.5 million in 2010 to approximately RMB34.2 million in 2011.

The Group's effective income tax rate increased from 24.4% in 2010 to 26.3% in 2011, primarily due to the increase of the income tax rate of Shuang Hong Bakery, one of the Group's subsidiaries, from 12.5% for 2010 to 25% for 2011 as 2010 was the last year of its half deduction of enterprise income tax rate.

Net profits and total comprehensive income for the year attributable to shareholders

Net profits increased by approximately RMB7.5 million from approximately RMB88.3 million in 2010 to approximately RMB95.8 million in 2011. Net profit margin increased by a small percentage from 6.88% in 2010 to 6.92% in 2011.

ANALYSIS OF FINANCIAL POSITION

Inventory Turnover Days

The following table sets forth the average inventory turnover days for the years indicated:

	For the years ended 31 December	
	2011	2010
Inventory turnover days (note)	**17**	14

Note: Inventory turnover days are calculated based on the arithmetic mean of the opening and closing balance of inventories divided by cost of sales for the relevant period and multiplied by 365 days.

The Company's inventories consist of raw materials and finished goods. Inventory turnover days for 2011 increased by 3 days as compared to that of 2010. The increase was mainly attributable to the inventories of raw materials and finished goods such as jelly and GABA milk prepared for the Chinese New Year in January 2012.

Trade Receivables Turnover Days

The following table sets forth the trade receivables turnover days for the years indicated:

	For the years ended 31 December	
	2011	2010
Trade receivables turnover days (note)	**7**	7

Note: Trade receivables turnover days are calculated based on the arithmetic mean of the opening and closing balance of trade receivables divided by the revenue for the relevant period and multiplied by 365 days.

Trade receivables are mainly due from department stores, supermarkets and cash consumer card issuers, the turnover days of which remained at 7 days for both 2011 and 2010.

Age Analysis of Trade Receivables

The following table is an aged analysis of our trade receivables as at the dates indicated:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Age		
0 to 30 days	**14,498**	20,332
31 to 60 days	**7,962**	–
61 to 90 days	**938**	5,287
91 to 180 days	**1,273**	1,056
Over 180 days	**355**	374
	25,026	27,049

The Company's sales were mainly transacted either in cash or through redemption of customers' coupons. There was no credit payment for transactions taken place in the Group's self-operated retail outlets. However, for those retail outlets located within department stores or supermarkets, lessors who provided those sites usually collected the sales revenue on our behalf and settled such amounts with us 30 to 60 days thereafter.

Other Financial Assets

Other financial assets refer to the purchase of monetary funds from banks, which reduced from RMB255 million in 2010 to RMB10 million in 2011.

Trade Payables Turnover Days

The following table sets forth the trade payables turnover days for 2011 and 2010:

	For the years ended 31 December	
	2011	2010
Trade payables turnover days	**39**	36

Age Analysis of Trade Payables

	As of 31 December	
	2011	2010
	RMB'000	RMB'000
Age		
0 to 45 days	**61,338**	44,206
46 to 60 days	**7,466**	17,229
61 to 90 days	**2,218**	1,518
91 to 180 days	**38**	1,906
Over 180 days	**2,431**	6,353
	73,491	71,212

The credit terms for trade payables due to suppliers generally range from 45 to 60 days. Other payables include wage payables and sundry payables.

Deposits from customers

Deposits from customers mainly refers to coupon payments received from customers. As the sales of paper coupons (and pre-paid cards) in 2011 surpassed that of 2010, deposit from customers increased by approximately RMB76.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY

As at 31 December 2011, the Group's bank balances and cash amounted to approximately RMB798.3 million representing an increase of approximately RMB463.2 million as compared to RMB335.1 million as of 31 December 2010. The increase was mainly attributable to net cash inflow of approximately RMB243.4 million generated from operating activities, net cash inflow of approximately RMB299.6 million generated from investing activities and net cash outflow of approximately RMB79.8 million used in financing activities.

The current ratio was 105.0% in 2011 as compared to 89.9% in 2010, which indicated an increase in our solvency and optimisation of our financial structure.

As at 31 December 2011, the Group's gearing ratio, calculated by dividing total liabilities by total assets, was approximately 52.42% (2010: 55.06%). The decrease in gearing ratio was mainly due to an increase in the Group's bank balance and cash as a result of lesser capital expenditure and higher coupon sales in 2011.

LIABILITIES

Bank Borrowings

As of 31 December 2011, the Group had no outstanding bank borrowings.

Banking Facilities

As of 31 December 2011, the Group had unused bank facilities of RMB100 million.

Bonds

As of 31 December 2011, the Group had not issued any bonds.

Contingent Liabilities

As of 31 December 2011, the Group had no material contingent liabilities.

Payment Commitments

According to the lease agreements in relation to retail outlets as at 31 December 2011, the Group's future minimum lease payments in respect of retail outlets under non-cancellable operating leases amounted to approximately RMB254.1 million, and capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB6.0 million.

SUBSTANTIAL ACQUISITIONS AND DISPOSALS

The Group made no substantial acquisitions or disposals during the year under review.

PLEDGED ASSETS

As at 31 December 2011, none of the Group's assets was pledged (2010: RMB75,692,000). The secured bank loan was repaid during the current year.

CAPITAL STRUCTURE, PLEDGED ASSETS AND GEARING RATIO

The Group remained strong financial position as at 31 December 2011 without bank borrowing, pledged assets and notes payable. Total equity stood at RMB835,724 thousand (2010: RMB739,903 thousand), representing an increase of approximately 13%. As of 31 December 2011, the capital structure of company comprised 750,000,000 ordinary shares of HK$0.00001 each.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the year ended 31 December 2011.

The Company has not entered into any interest rate hedging arrangement.

CAPITAL EXPENDITURE PLAN

We currently plan to expand our retail network to around 1,200 retail outlets by the end of 2013. In addition, we may also consider expanding into other regions of China in the future. The following table sets forth the number of retail outlets opened and expected to be opened by our Group in 2011, 2012 and 2013, respectively, broken down by store type:

	For the years ending 31 December		
	2011	**2012**	**2013**
Good Neighbour Stores	105	90	77
Subway Stores	11	24	17
European Style Fresh-bake Stores	8	43	69
Total	124	157	163

The following table sets forth our estimated capital expenditure for our retail outlets opened and expected to be opened by our Group in 2011, 2012 and 2013, respectively, broken down by store type:

	For the years ending 31 December		
	2011	**2012**	**2013**
	RMB million		
Good Neighbour Stores	16.1	14.7	13.3
Subway Stores	1.3	2.3	1.7
European Style Fresh-bake Stores	3.6	34.7	58.5
Total	21.0	51.7	73.5

We plan to upgrade our existing production facilities to further increase production and operation efficiency. The planned upgrade primarily focuses on expanding the capacity of our existing production facilities such as Long Wu, Ji Yuan De, Jiang Ning, Shuang Hong central bakeries, and purchase of parcels of land for construction of new production facilities in Hangzhou. We are currently in the process of identifying the location for the new central bakery in Hangzhou. We expect to relocate Danbi (Hangzhou) central bakery to the new central bakery in Hangzhou by the end of 2012. The table below sets forth the estimated capital expenditure, projected increase in production capacity and the expected date of completion and commencement of our existing and new facilities:

Central bakeries	Estimated capital expenditure RMB million	Expected time of commencement	Estimated year of completion
Long Wu	19.0	2nd quarter 2012	4th quarter 2013
Ji Yuan De	6.1	2nd quarter 2012	4th quarter 2013
Jiang Ning	46.1	2nd quarter 2012	4th quarter 2013
Shuang Hong	7.6	2nd quarter 2012	4th quarter 2013
New production facilities in Hangzhou	119.3	2nd quarter 2012	4th quarter 2012

HUMAN RESOURCES

The Group had a total of 8,143 employees as at 31 December 2011, most of them being sales and marketing staff. Total annual payroll amounted to approximately RMB299.4 million, accounting for 21.6% of the operating revenue, representing an increase compared with that of 18.3% in 2010. In addition to fixed wages, our employees may be granted other allowances and a year-end bonus subject to a performance appraisal. Meanwhile, the Company also provides continuing education and internal and external training programs for our employees with a view to upgrade their skills and knowledge on a continuing basis and facilitate the Company's further development.

FUTURE PROSPECTS

Market Outlook

In the PRC, the increase in the sales value of bakery products has been driven by the continued increase in per capita disposable income and food consumption expenditure, the increasing acceptance of western lifestyles and western food products, and soaring prices of food materials. During the period from 2011 to 2013, the sales value of bakery products in China is expected to grow at a CAGR of 13.1%, whereas per capita consumption volume of bakery products is expected to grow at a CAGR of 7.0%.

R & D Prospects

With ever-increasing health consciousness of consumers, the Company believes that the demand for healthy bakery products will increase in the next few years. The ever-changing taste of customers will also be the driving force for the research and development of bakery products. Henceforth, the Company will devote more resources to the development of innovative, diversified and healthy bakery products in response to the market trend.

Final Dividend

The Board of Directors recommended payment of a final dividend of RMB2.8 cents (approximately equivalent to HKD3.5 cents) per share for the year ended 31 December 2011 payable to the Shareholders whose names appear on the register of members of the Company on Tuesday, 5 June 2012. Subject to the approval of the Shareholders at the 2012 annual general meeting, it is expected that the final dividend will be paid on or before Saturday, 30 June 2012.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 24 May 2012 to Monday, 28 May 2012, both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 May 2012.

The register of members of the Company will be closed from Friday, 1 June 2012 to Tuesday, 5 June 2012, both days inclusive, for the purpose of determining the identity of members who are entitled to receive the proposed final dividend for the year ended 31 December 2011. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 May 2012.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Tien-An Lo, aged 58, was appointed as a Director in March 2008 and then as an executive Director and the Chairman of the Company in December 2011. He is the founder of the Group and has been responsible for the overall strategic planning and management of the Group. Mr. Lo has extensive experience in the bakery and retail industries, having been engaged in the bakery and retail businesses for over 18 years. In addition, he has extensive experience in corporate management including drafting overall guidelines, conducting systemic management, and drawing up strategic plans. Mr. Lo is currently a director of each of the Group's subsidiaries. Mr. Lo has served as a director of Sino Century Universal Corporation, the Controlling Shareholder of the Company since 2008. Mr. Lo has also served as the chairman of the board of directors of Shanghai Christine Foodstuff Co., Ltd. since 1999. He has served as the vice president of the Association of Taiwanese Businessmen of Shanghai since December 2009. Mr. Lo has been the key driver of the Group's strategies and achievements to date. Mr. Lo graduated from Tian Li County Zhong Xing High Commercial Technical Private School in 1981. In 2007, Mr. Lo was named as an Entrepreneur of the Year by financial publication Forbes China.

Mr. Dun-Ching Hung, aged 66, was appointed as an executive Director in December 2011 and is responsible for formulation of overall policy and guidelines in respect of the Group's administration and management. Mr. Hung has over 24 years of experience in the bakery and trade industries. Mr. Hung is currently a director of three members of the Group, namely Shanghai Christine Foodstuff Co., Ltd., Shanghai Ji Yuan De Foodstuff Co., Ltd. and Nanjing Christine Foodstuff Co., Ltd.. Since 2008, Mr. Hung has served as a director of Sino Century Universal Corporation, the Controlling Shareholder of the Company. Since 1993, Mr. Hung has served as the chairman of the board of directors of Shanghai Guang Can Foodstuff Co., Ltd. Since 1987, Mr. Hung has served as the chairman of the board of directors of Taiwan Tong Can Trading Co., Ltd.. Mr. Hung is familiar with the management and operation of processing and trading of raw-food materials enterprises. His experience and knowledge promotes the Group's development.

Mr. Chi-Ming Chou, aged 60, was appointed as an executive Director in December 2011 and is responsible for formulation of overall policy and guidelines in respect of the Group's business management. Mr. Chou joined the Group in 1993. Mr. Chou has more than 18 years of experience in the bakery industry in the PRC. Mr. Chou is currently a director of two members of the Group, namely Shanghai Christine Foodstuff Co., Ltd. and Shanghai Ji Yuan De Foodstuff Co., Ltd.. Mr. Chou has served as a director of Sino Century Universal Corporation, the Controlling Shareholder of the Company since 2008. Mr. Chou has served as a director of Ban Wu Food Co., Ltd., a company incorporated in Taiwan that produces and sells bakery products only in Taiwan, since 1996, and served as a director of Chao Bi Food Enterprise Co., Ltd., a company engaged in bakery business, from 2003 to 2006. In addition, since 2011, Mr. Chou has served as a director of Shanghai Jia Guo Packaging Co., Ltd., a company mainly engaged in manufacture and sale of packaging materials in Shanghai, and since 1997, he has served as a director of San Jiu Xing Co., Ltd., a company mainly engaged in manufacture and sale of packaging materials in Taiwan. Mr. Chou has served as a management committee member of the Tainan City Bakery Association since 2007.

DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. Toshihito Hirasawa, aged 53, was appointed as a non-executive Director in April 2012. Mr. Hirasawa has been a senior operating officer of Marubeni Corporation, a Japan-based trading company listed on the Tokyo Stock Exchange, the Osaka Stock Exchange, and the Nagoya Stock Exchange and a substantial Shareholder of the Company since 1 April 2011. He joined Marubeni Corporation in 1983. Mr. Hirasawa graduated with a Bachelor Degree in Economics from the Kyoto University in Japan in 1981.

Independent Non-Executive Directors

Mr. Nianlin Zhu, aged 55, was appointed as an independent non-executive Director in December 2011. Mr. Zhu is currently the president of China Association of Bakery & Confectionery Industry, a deputy secretary of China National Light Industry Council, a director of the Marketing Department of China National Light Industry Council, a deputy secretary of the State Food and Nutrition Consultant Committee, a member of the Trial Sub-Committee of Professional Certification of Food Manufacturing and Light Industry under the Ministry of Education's National Committee of Expert Certification of Education in Engineering. Mr. Zhu received his Bachelor Degree in food engineering from Wuxi Light Industry Institute in 1982. Mr. Zhu received his Master of Business Administration ("MBA") from Tsinghua University in 2001.

Mr. Weide Luo, aged 55, was appointed as an independent non-executive Director in December 2011. He is currently the inspector of China Eastern Airlines Corporation, a company listed on the New York Stock Exchange, the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Currently, he also serves as a Master Degree instructor of the Civil Aviation Institute of China, an adjunct professor of the China Aviation Management Institute of China, and an adjunct professor of the Shanghai Lixin University of Commerce. Prior to joining the Group, Mr. Luo served as a director assistant, deputy director and director of the Shanghai Pu-tuo Finance Bureau from 1986 to 1992. Mr. Luo served as an independent director of Shanghai Highly (Group) Co., Ltd. from May 2003 to June 2011, a company listed on the Shanghai Stock Exchange. Mr. Luo concurrently served as the vice president of the Shanghai Pu-dong Development Group Co., Ltd, a state-owned enterprise, from 1999 to 2000. He served as the chief financial officer and chief accountant of China Eastern Airlines Corporation from 2000 to 2009. Mr. Luo attained his MBA at China Europe International Business School in the PRC in 1999. Mr. Luo was awarded by the Finance Bureau of Shanghai as "Pioneer Accountant in Shanghai" and "Outstanding Accountant in Shanghai" in 1995 and 2005, respectively. He was also nominated as "Top 10 Chief Financial Officer in the PRC" by the Finance Magazine in 2004. Mr. Luo is a senior accountant and senior economist in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wanwen Su, aged 37, was appointed as an independent non-executive Director in December 2011. Ms. Su is currently a clinical assistant professor in School of Pharmacy, Taipei Medical University. She is a registered pharmacist in Boston, USA and a certified pharmacist in Taiwan as well. She is also a certified holistic health counselor certified by the American Association of Drugless Practitioners in USA. She served as a researcher of Clinical Research Center of Excellence for Clinical Trial and Research, Taipei Medical College-affiliated Taipei Municipal Wan-Fang Hospital, from 2008 to 2009 and a pharmacy manager in Stop and Shop Pharmacy, from 2000 to 2006. She has a deep understanding of nutrition and healthy living. Ms. Su obtained her Bachelor of Science in pharmacy from Northeastern University in 1998 and her Doctor of Pharmacy degree (PharmD) from Massachusetts College of Pharmacy and Health Sciences in 2004 and took professional and advanced health counseling training programs in Institute for Integrative Nutrition affiliated with Columbia University in 2007.

Senior Management

Ms. Xiuping Zhu, aged 53, was appointed as the Company's chief executive officer and is responsible for managing the overall operations of the Company, including overall management, financial aspects, principle corporate rules and appointment of senior management. She joined the Group in 2000. Ms. Zhu has more than 16 years of experience in bakery and retail industry. Before joining the Group, Ms. Zhu served as the general manager of Ganquan Market of Shanghai Yichuan Shopping Center from 1995 to 2000. In 2005, Ms. Zhu was designated as an Outstanding Entrepreneur in Shanghai Commercial Industry by Shanghai Business Enterprise Management Association. Ms. Zhu was designated as an Excellent Entrepreneur for 2003 and 2004 by the Shanghai Sugar and Food Industry Association. In 2004, Ms. Zhu received an "Excellent Individual" honorary title from the China Bakery and Sugar Products Association. In 2008, she was awarded as the National Outstanding Woman Entrepreneur and the Best Foreign-Enterprise Manager by the All-China Women's Federation. In 1998, Ms. Zhu was chosen as the representative of the People's Congress of Pu Tuo District of Shanghai. From 2003, Ms. Zhu has served as the vice president of the Shanghai Food Association. In 2006, She was appointed as the vice president of the council of the Shanghai Association of Confectionary Industry. In 2009, she was appointed as the member of Shanghai Xuhui District Committee of Chinese People's Political Consultative Conference. Ms. Zhu has extensive experience in managing retail companies and marketing of retailed products. She also plays an important role in formulating the Group's corporate strategies. In 2009, she was certified as Commerce Operating Manager (Senior Technician) in China. She graduated from East China Normal University Continuing Education College in Shanghai in 2000.

Mr. Weilun Liao, aged 44, was appointed as the Company's vice president of finance and accounting. Mr. Liao joined the Group in 2011. Mr. Liao served as a senior auditor of Audit Department of KPMG Taiwan from 1996 to 1998; following that, Mr. Liao served as a project manager of the Corporate Finance Department, Corporate Banking Division of the Capital Securities Corporation from 1998 to 2004. From 2008 to 2009, he served as a special assistant to the chairman of Long Chen Paper Co., Ltd.. Mr. Liao obtained his Bachelor Degree in accounting in Fu Jen University in 1995. In addition, Mr. Liao obtained his qualifications as a Senior Securities Specialist from Taiwan Securities Association and a Securities Investment Trust and Consulting Professional from Securities Investment Trust & Consulting Association of Taiwan, in 1999 and 2008, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jianhua Gu, aged 52, was appointed as the Company's vice president of production management. He joined the Group in 2004. Mr. Gu has 7 years of experience in the food industry and production management. Mr. Gu obtained a diploma of self-education in law from Shanghai Television University in 1988. He is certified as Chinese senior registered career manager by the China Enterprise Evaluation Association in 2006.

Mr. Huanan Wang, aged 36, was appointed as the Company's vice president of sales and marketing. He joined the Group in 2004. Mr. Wang has 10 years of experience in the retail industry. Before joining the Group, he served as the marketing vice president in Shanghai Lotus Supermarket Chain Store Co., Ltd. from 2000 to 2004. Mr. Wang completed his part-time college education in and graduated from East China Normal University in 2002.

Ms. Qiuyi Yu, aged 49, was appointed as the Company's vice president of sales and management in Shanghai. She joined the Group in 2002. Ms. Yu has 30 years of experience in the retail industry and marketing, sales, and after-sales services. Ms. Yu is responsible for marketing and sales activities of the Group. Before joining the Group, Ms. Yu served as the general manager of Ganquan Market of Shanghai Yichuan Shopping Center from 2000 to 2002 and as the manager of the Electronics, Leather Products and General Merchandise Department of Ganquan Market of Shanghai Yichuan Shopping Center from 1993 to 1999. Ms. Yu has extensive experience in retail enterprise management and marketing of retailed products. Ms. Yu completed her part-time college education in and graduated from East China Normal University Continuing Education College in Shanghai in 2000.

Ms. Yuping Jiang, aged 41, was appointed as the Company's vice president of sales and management in Nanjing. She oversees the Group's overall operations in Nanjing, including overall sales management, corporate rules formulation and enforcement, appointment of the senior management. Ms. Jiang has gained 9 years of experience in factory management, retail outlet management and expansion. She joined the Group in 2002. Ms. Jiang oversees the expansion of the Group's Nanjing retail network, from one retail outlet to the current 83 retail outlets. Before joining the Group, Ms. Jiang served as the manager and deputy general manager of Jiangsu Xinxi Hotel from 1996 to 2002. Ms. Jiang has extensive experience in finance and human resources management. In 2007, Ms. Jiang was elected as a deputy to the People's Congress of Baixia District, Nanjing. Ms. Jiang received her Bachelor Degree in food industry and science from Wuxi Institute of Light Industry in 1994.

Ms. Liping Huang, aged 44, was appointed as the Company's vice president of sales and management in Zhejiang, Wuxi and Suzhou. She joined the Group in 2006. Ms. Huang has approximately 10 years of experience in marketing and procurement. Before joining the Group, she worked in Shanghai Kangcheng Storage Co., Ltd. from 2001 to 2002 and in Shihu Storage (Shanghai) Co., Ltd. from 2004 to 2005. Ms. Huang graduated from Fuzhou University in 1989.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present the Company's annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Corporate Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 March 2008. On 23 February 2012, the Shares successfully commenced dealing on the Stock Exchange by initially offering 250,000,000 Shares at the offer price of HK$1.60 per Share. The Company subsequently issued 10,188,000 additional Shares pursuant to the exercise of the over-allotment option granted by the Company in connection with the initial public offering on the Listing Date.

Change of company name

Pursuant to a written special resolution dated 14 December 2011, the name of the Company was changed from Christine International Holdings Limited to Christine International Holdings Limited 克莉絲汀國際控股有限公司.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 40 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Details of the principal subsidiaries of the Group as at 31 December 2011 are set out in note 40 to the consolidated financial statements.

Results and Dividends

The Group's profit for the year ended 31 December 2011 and its state of affairs as at 31 December 2011 are set out in the consolidated financial statements on pages 46 to 51.

The Board recommended the payment of a final dividend of RMB2.8 cents (approximately equivalent to HKD3.5 cents) per Share for the year ended 31 December 2011. Subject to the approval of Shareholders at the 2012 annual general meeting, the final dividend will be payable on or before 30 June 2012 to the Shareholders whose names appear on the register of members of Company on 5 June 2012.

Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new Shares at the time of its listing on the Stock Exchange on the Listing Date and pursuant to the exercise of the over-allotment option on 16 March 2012 amounted to HK$356.8 million. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The net proceeds are temporarily placed in short term deposits with licensed institutions in Hong Kong.

REPORT OF THE DIRECTORS

Financial Summary

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 100 of this report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 33 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

The Shares were first listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities after listing.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity contained herein.

REPORT OF THE DIRECTORS

Distributable Reserves

The Company's reserves available for distribution represent the share premium, reserves and profit which in aggregate amounted to approximately RMB835.7 million as at 31 December 2011. Under the Companies Law, Cap 22 (Law 3 of 1961, consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of the Company's memorandum and the Articles and provided that immediately following the date on which distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends may be declared and paid out of the profits of the Company, realised or unrealised or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the share premium account of the Company.

Major Suppliers and Customers

In the year under review, the Group's largest supplier accounted for 18.7% of the Group's total purchases. The Group's five largest suppliers accounted for 41.8% of the Group's total purchases.

In the year under review, no single customer accounted for over 10% of the Group's total sales.

Among our five largest suppliers, Shanghai Yi Pin Xuan Foodstuff Co., Ltd., Marubeni Shanghai Co., Ltd. and Shanghai Meixin Trade Co., Ltd. are our connected parties. Details of the continuing connected transactions are set out in the section headed "Annual review of Continuing Connected Transactions" below.

Saved as disclosed above, none of the Directors or any of their associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers.

Directors

The Directors during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Tien-An Lo *(appointed as Director on 11 March 2008 and as Chairman on 27 December 2011)*
Mr. Dun-Ching Hung *(appointed on 27 December 2011)*
Mr. Chi-Ming Chou *(appointed on 27 December 2011)*

Non-executive Directors:

Mr. Toshihito Hirasawa *(appointed with effect on 2 April 2012)*
Mr. Yoshiaki Mizumoto *(resigned with effect on 2 April 2012)*

Independent non-executive Directors:
Mr. Nianlin Zhu *(appointed on 27 December 2011)*
Mr. Weide Luo *(appointed on 27 December 2011)*
Ms. Wanwen Su *(appointed on 27 December 2011)*

In accordance with Articles 83(3) and 84 of the articles of association, Mr. Tien-An Lo, Mr. Dun-Ching Hung, Mr. Chi-Ming Chou, Mr. Toshihito Hirasawa, Mr. Nianlin Zhu, Mr. Weide Luo and Ms. Wanwen Su will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company is of the view that all the independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Directors' Service Contracts

Each of the executive Directors and the independent non-executive Directors has entered into a service contract with the Company for an initial term of 3 years commencing from the Listing Date. The non-executive Director, namely Mr. Toshihito Hirasawa, has been appointed for a term commencing on 2 April 2012 and ending on 22 February 2015. His appointment is subject to termination by either party giving not less than three months' written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during the year.

Contracts with controlling shareholders

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2011.

Non-compete undertakings

Each of the controlling shareholders has confirmed to the Company that he/it has complied with the non-compete undertakings that he/it provided to the Company on 1 February 2012. The independent non-executive directors have reviewed the status of compliance and confirmed that all of these non-compete undertakings have been complied with by the controlling shareholders.

Directors' Interests in Contracts

No contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Remuneration Policy

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the Remuneration Committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors, remuneration is determined by the Board, upon recommendation from the Remuneration Committee. Details of the emoluments of the Directors and the five highest paid individuals are set out in note 10 to the consolidated financial statements.

The Group had a total of 8,143 employees as at 31 December 2011, most of them being sales and marketing staff. Total annual payroll amounted to approximately RMB299.4 million, accounting for 21.6% of the operating revenue, representing an increase compared with that of 18.3% in 2010. In addition to fixed wages, our employees may be granted other allowances and a year-end bonus subject to a performance appraisal. Meanwhile, the Company also provides continuing education and internal and external training programs for our employees with a view to upgrading their skills and knowledge on a continuing basis and facilitate the Company's further development.

Directors', Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the latest practicable date, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors/ chief executive	Capacity/nature of interest	Number of ordinary Shares	Position	Approximate percentage of the issued share capital of the Company
Mr. Tien-An Lo[(1)]	Interest in a controlled corporation	382,499,970	Long	37.86%
Mr. Dun-Ching Hung[(2)]	Interest in a controlled corporation	24,367,500	Long	2.41%
Mr. Chi-Ming Chou[(3)]	Interest in a controlled corporation	9,217,500	Long	0.91%
Ms. Xiuping Zhu[(4)]	Interest in a controlled corporation and beneficial owner	21,510,030	Long	2.13%

Notes:

(1) Sino Century Universal Corporation ("Sino Century") is owned as to 47.00% by Goyen Investments Ltd, which is wholly-owned by Mr. Tien-An Lo who is a director of Sino Century. Accordingly, based upon the issued share capital of the Company as at the date hereof, Mr. Lo's effective interest in the Company would be approximately 17.80%.

(2) Sino Century is owned as to 11.13% by Sparkling Light Corporation, which is wholly-owned by Mr. Dun-Ching Hung who is a director of Sino Century. He is the sole beneficial owner of Sparkling Light Corporation, which owns approximately 2.41% of the issued share capital of the Company. Accordingly, based upon the issued share capital of the Company as at the date hereof, Mr. Hung's effective interest in the Company would be approximately 6.62%.

(3) Sino Century is owned as to 4.21% by Masco International Corporation, which is wholly-owned by Mr. Chi-Ming Chou who is a director of Sino Century. He is the sole beneficial owner of Masco International Corporation, which owns approximately 0.91% of the issued share capital of the Company. Accordingly, based upon the issued share capital of the Company as at the date hereof, Mr. Chou's effective interest in the Company would be approximately 2.51%.

(4) Pursuant to the Pre-IPO Share Award Scheme, Ms. Xiuping Zhu was awarded 4,125,000 Shares. Valuable Limited holds 17,385,030 Shares on behalf of various individuals, one of the beneficiaries of which is Ms. Xiuping Zhu.

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at the latest practicable date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders

So far as is known to any Director or chief executive of the Company, as at the latest practicable date, Shareholders (other than Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions of Substantial Shareholders in the Shares

Name of shareholders	Capacity/nature of interest	Number of ordinary Shares	Position	Percentage of the Company's issued share capital
Sino Century Universal Corporation	Beneficial owner	382,499,970	Long	37.86%
Goyen Investments Ltd.(1)	Interested in a controlled corporation	382,499,970	Long	37.86%
Marubeni Corporation(2)	Beneficial owner	121,500,000	Long	12.03%
Christine Princess Co. (PTC) Ltd.(3)	Beneficial owner	75,000,000	Long	7.42%

Notes:

(1) Sino Century is owned as to 47.00% by Goyen Investments Ltd. Accordingly, based upon the issued share capital of the Company as at the date hereof, Mr. Lo's effective interest in the Company would be approximately 17.80%.

(2) Marubeni Corporation is a company established in Japan and publicly listed on the Tokyo Stock Exchange, the Osaka Stock Exchange and the Nagoya Stock Exchange. It is a trading company with business divisions in iron and steel, information technology, utility and infrastructure, energy, agri-marine products, metals and mineral resources, development and construction, and chemicals. It markets its products globally through a network of sales offices and representative firms. Its associate supplies certain ingredients used in the production of bread, cakes and other bakery products, to certain members of the Group.

(3) Christine Princess Co. (PTC) Ltd. is a trust company incorporated in the British Virgin Islands, which holds its equity interest in the Company on trust for the benefit of management employees.

Save as disclosed above, as at the latest practicable date, the Company had not been notified by any persons (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Pre-IPO Share Award and Pre-IPO Share Options

On 27 December 2011, Christine Princess Co. (PTC) Ltd., being a Shareholder, adopted a pre-IPO share award scheme (the “Pre-IPO Share Award Scheme”) and a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”, together with the Pre-IPO Share Award Scheme, the “Scheme”). The Pre-IPO Share Award Scheme and Pre-IPO Share Option Scheme of Christine Princess involves the transfer of existing Shares held by Christine Princess in the Company to eligible participants under the Pre-IPO Share Award Scheme and Pre-IPO Share Option Scheme. No new Shares will be issued by the Company for the purposes of the Pre-IPO Share Award Scheme or the Pre-IPO Share Option Scheme, nor will there be any grant of options over new securities of the Company and accordingly, the Schemes do not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules. The Directors consider the grant of the Pre-IPO Share Award and Pre-IPO Share Options has impact on the financial statements since the date of grant and the subsequent financial periods. The Management of the Company is still in the process of determining the value of the grant shares/ options. Such impact will be disclosed in the coming interim report of the Company. A summary of the terms of the Schemes has been set out in Appendix VI of the prospectus of the Company under the section headed “D. OTHER INFORMATION”.

As at the date of publication this annual report, the following shares have been awarded under the Pre-IPO Share Award Scheme:

Name of grantee	Number of Shares awarded	Approximate percentage of shareholding held upon the award
Xiuping Zhu	4,125,000	2.13
Yu Qiuyi	1,125,000	0.11
Jiang Yuping	1,125,000	0.11

As at the date of publication this annual report, the following share options have been granted under the Pre-IPO Share Option Scheme:

Category of participants	Number of Shares subject to Pre-IPO Share Options	Approximate percentage of shareholding held upon exercise of all the Pre-IPO Options
Senior management of the Group	2,052,000	0.203
Connected person (Lo Ching-Ying)	79,400	0.008
Other employees and eligible persons	14,871,800	1.472

Continuing Connected Transactions

The Group had entered into a number of transactions with parties which, upon the listing of the Shares on the Stock Exchange, became connected persons of the Company under the Listing Rules. These transactions are considered to be continuing connected transactions under the Listing Rules, which need to be disclosed herein in compliance with the requirements under the Listing Rules or the waivers previously granted by the Stock Exchange. Details of the continuing connected transactions are as follows:

Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements

1) Shanghai Ji Yuan De Foodstuff Co., Ltd. ("Shanghai Ji Yuan De"), Shanghai Christine Foodstuff Co., Ltd. ("Shanghai Christine"), Shanghai Shuanghong Bakery Co., Ltd. ("Shanghai Shuanghong Bakery") and Shanghai Christine Sweet Art Foodstuff Co., Ltd. ("Shanghai Sweet Art") entered into a Master Supply Agreement dated 1 January 2011 ("Aroma Master Supply Agreement") in respect of the provision of coffee products with Aroma Coffee (Shanghai) Co., Ltd. ("Aroma"), 50% of its registered capital owned by Marubeni Corporation, pursuant to which the Group agreed to purchase from Aroma coffee, coffee beans and coffee related products at prices determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those offered to the Group by any other independent third party.

   The Aroma Master Supply Agreement is for a term of 3 years and will expire on 31 December 2013. The agreement will be terminated at any time by either party upon three months' prior written notice to the other party. Details of the Aroma Master Supply Agreement was disclosed in the section headed "Connected Transactions" in the Prospectus.

   The annual caps for the Group's total transaction amount with Aroma contemplated under the Aroma Master Supply Agreement are no more than RMB2.1 million for the year ended 31 December 2011, RMB2.6 million for the year ending 31 December 2012 and RMB3.2 million for the year ending 31 December 2013.

2) Shanghai Christine entered into a Master Supply Agreement dated 1 January 2011 ("Yi Pin Xuan Master Supply Agreement") in respect of the provision of ingredients with Shanghai Yi Pin Xuan Foodstuff Co., Ltd. ("Yi Pin Xuan") owned by Gourmet Holding Co., Ltd., which is wholly-owned by Ms. Ching-Ying Huang Lo, being the sister of Mr. Tien-An Lo, an associate of Mr. Tien-An Lo, pursuant to which the Group agreed to supply to Yi Pin Xuan certain ingredients and other miscellaneous items including flour, sugar and oil at prices determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those offered to the Group by any other independent third party.

   The Yi Pin Xuan Master Supply Agreement is for a term of 3 years and will expire on 31 December 2013. The agreement will be terminated at any time by either party upon three months' prior written notice to the other party. Details of the Yi Pin Xuan Master Supply Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus.

   The annual caps for the Group's total transaction amount with Yi Pin Xuan contemplated under the Yi Pin Xuan Master Supply Agreement are no more than RMB3.5 million for the year ended 31 December 2011, RMB3.6 million for the year ending 31 December 2012 and RMB4.4 million for the year ending 31 December 2013.

3) Shanghai Ji Yuan De, Shanghai Christine, Shanghai Shuanghong Bakery and Shanghai Sweet Art entered into a Master Supply Agreement dated 1 January 2011 ("Guangcan Master Supply Agreement") in respect of the provision of ingredients with Shanghai Guangcan Foodstuff Co., Ltd. ("Shanghai Guangcan"), wholly-owned by a holding company which is held as to 44% by Mr. Dun-Ching Hung and 56% by the spouse, two children and sister-in-law of Mr. Hung, pursuant to which the Group agreed to purchase from Shanghai Guangcan certain ingredients which the Group mainly uses in the production of moon cakes, as well as bread, cakes and other bakery products, at prices determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those offered to the Group by any other independent third party.

   The Guangcan Master Supply Agreement is for a term of 3 years and will expire on 31 December 2013. The agreement will be terminated at any time by either party upon three months' prior written notice to the other party. Details of the Guangcan Master Supply Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus.

   The annual caps for the Group's total transaction amount with Shanghai Guangcan contemplated under the Guangcan Master Supply Agreement are no more than RMB9.9 million for the year ended 31 December 2011, RMB12.1 million for the year ending 31 December 2012 and RMB14.9 million for the year ending 31 December 2013.

4) Shanghai Ji Yuan De, Shanghai Christine, Shanghai Shuanghong Bakery, Shanghai Sweet Art entered into a Master Supply Agreement dated 1 January 2011 ("Wujiang Master Supply Agreement") in respect of the provision of paper packaging materials with Wujiang Shangpu Packing Products Co., Ltd. ("Wujiang Shangpu"), approximately 31.36% of the equity interest in Wujiang Shangpu is collectively owned by associates of Mr. Chi-Ming Chou as follows: (a) 3.95% of the equity interest of Wujiang Shangpu is owned by Mr. Zheng Yulin, being the nephew of Mr. Chi-Ming Chou; (b) 3.00% of the equity interest of Wujiang Shangpu is owned by Mr. Liu Nongjie, being the nephew of Mr. Chi-Ming Chou; and (c) approximately 40.68% of the equity interest of Wujiang Shangpu is owned by Hao Sheng Group Holdings Limited, being a company incorporated in the BVI and collectively owned by three children of Mr. Chi-Ming Chou as to 60%, pursuant to which the Group agreed to purchase from Wujiang Shangpu paper packaging materials mainly for the wrapping and packaging of moon cakes as well as bread, cakes and other bakery products, at prices determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those offered to the Group by any other independent third party.

   The Wujiang Master Supply Agreement is for a term of 3 years and will expire on 31 December 2013. The agreement will be terminated at any time by either party upon three months' prior written notice to the other party. Details of the Wujiang Master Supply Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus.

   The annual caps for the Group's total transaction amount with Wujiang Shangpu contemplated under the Wujiang Master Supply Agreement are no more than RMB18.1 million for the year ended 31 December 2011, RMB22.3 million for the year ending 31 December 2012 and RMB27.4 million for the year ending 31 December 2013.

5) Shanghai Ji Yuan De, Shanghai Christine, Shanghai Shuanghong Bakery, Shanghai Sweet Art entered into a Master Supply Agreement dated 1 January 2011 ("Meixin Master Supply Agreement") in respect of provision of ingredients with Shanghai Meixin Trade Co., Ltd. ("Shanghai Meixin"), the family interests of Mr. Dun-Ching Hung are beneficially interested in approximately 100.0% of the registered capital of Shanghai Meixin, pursuant to which the Group agreed to purchase from Shanghai Meixin certain ingredients which the Group uses in the production of bread, cakes, pastries and other bakery products, at prices determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those offered to the Group by any other independent third party.

   The Meixin Master Supply Agreement will be for a term of 3 years and will expire on 31 December 2013. The agreement will be terminated at any time by either party upon three months' prior written notice to the other party. Details of the Meixin Master Supply Agreement was disclosed in the section headed "Connected Transactions" in the Prospectus.

   The annual caps for the Group's total transaction amount with Shanghai Meixin contemplated under the Meixin Master Supply Agreement are no more than RMB25.8 million for the year ended 31 December 2011, RMB28.9 million for the year ending 31 December 2012, and RMB35.5 million for the year ending 31 December 2013.

6) Shanghai Ji Yuan De, Shanghai Christine, Shanghai Shuanghong Bakery, Shanghai Sweet Art entered into a Master Supply Agreement dated 1 January 2011 ("Marubeni Master Supply Agreement") in respect of the provision of ingredients with Marubeni Shanghai Co., Ltd. ("Marubeni Shanghai"), a wholly-owned subsidiary of Marubeni Corporation, pursuant to which the Group agreed to purchase from Marubeni Shanghai certain ingredients used in the production of bread, cakes and other bakery products, such as flour, oils, egg whites and egg mix, at prices determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those offered to the Group by any other independent third party.

   The Marubeni Master Supply Agreement is for a term of 3 years and will expire on 31 December 2013. The agreement will be terminated at any time by either party upon three months' prior written notice to the other party. Details of the Marubeni Master Supply Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus.

   The annual caps for the Group's total transaction amount with Marubeni Shanghai contemplated under the Marubeni Master Supply Agreement are no more than RMB56.4 million for the year ended 31 December 2011, RMB61.9 million for the year ending 31 December 2012 and RMB76.1 million for the year ending 31 December 2013.

Non-exempt Continuing Connected Transaction

7) Shanghai Christine entered into a Master Processing Agreement dated 1 January 2011 ("Yi Pin Xuan Master Processing Agreement") in respect of the production of certain Christine-branded products with Yi Pin Xuan, an associate of Mr Tien-An Lo, pursuant to which Yi Pin Xuan agreed to process and produce Christine-branded products to the Group, at prices determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those offered to the Group by any other independent third party.

   The Yi Pin Xuan Master Processing Agreement will be for a term of 3 years and will expire on 31 December 2013. The agreement will be terminated at any time by either party upon three months' prior written notice to the other party. Details of the Yi Pin Xuan Master Processing Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus.

   The annual caps for the Group's total transaction amount with Yi Pin Xuan contemplated under the Yi Pin Xuan Master Processing Agreement are no more than RMB102.1 million for the year ended 31 December 2011, RMB111.9 million for the year ending 31 December 2012 and RMB137.6 million for the year ending 31 December 2013.

The independent non-executive Directors and audit committee have reviewed the above continuing connected transactions numbered 1 to 7 for the year ended 31 December 2011 and have confirmed that these continuing connected transactions are:

1. entered into in the ordinary and usual course of business of the Group;

2. entered into on normal commercial terms; and

3. in accordance with the terms of respective agreements governing the transactions that are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

In accordance with the requirement of section 14A.38 of the Listing Rules, the Board has engaged the auditors to perform certain procedures on the above continuing connected transactions. The auditors have confirmed that the continuing connected transactions:

1) have received the approval of the Board;

2) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;

3) have been entered into in accordance with the relevant agreement governing the transactions; and

4) have not exceeded the cap disclosed in the Prospectus.

Code on Corporate Governance Practices

As the Company was listed on the Listing Date, the Company was not required to comply with the requirements under the code provisions set out in Appendix 14 – Code on Corporate Governance Practices (the "CG Code") to the Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the Year. The Directors consider that since the Listing Date, the Company has applied the principles of the CG Code and complied with the applicable code provisions set out in the CG Code.

Events After the Reporting Period

Details of the significant events after the reporting period are set out in note 41 to the consolidated financial statements.

Audit Committee and Review of Financial Statements

The Audit Committee was established on 27 December 2011 with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

REPORT OF THE DIRECTORS

The Audit Committee has reviewed with the management accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2011. The consolidated financial statements for the year ended 31 December 2011 have been audited by the Company's external auditors, Deloitte Touche Tohmatsu.

Related Party Transactions

Details of related party transactions of the Group for the year ended 31 December 2011 are set out in note 39 of the consolidated financial statements contained herein.

For those related party transactions or those continuing related party transactions (as the case may be) falling under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules, the Stock Exchange has granted a waiver to the Group from strict compliance with the disclosure or where appropriate, the shareholders' approval requirements stipulated in Chapter 14A of the Listing Rules subject to certain conditions.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public from the Listing Date to the date of publication of this report.

Auditors

During the year, Deloitte Touche Tohmatsu were appointed as the external auditors of the Company. A resolution will be submitted at the 2012 annual general meeting to re-appoint Deloitte Touche Tohmatsu as the external auditors of the Company.

On behalf of the Board
Tien-An Lo
Chairman

Hong Kong, 23 March 2012

CORPORATE GOVERNANCE REPORT

With an aim of creating an appropriate environment for the solid sustainable growth of the Company and to enhance shareholders' confidence and protect shareholders' interests, the board of directors (the "Board") of the Company is committed to establishing an internally high efficiency of corporate governance practices and procedures in accordance with the Listing Rules and relevant applicable laws and regulations.

The Company and the Board have adopted the code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). However, as the Company was not yet listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") until 23 February 2012 (the "Listing Date"), the CG Code was not applicable to the Company during the period under review, to the extent applicable. However, the Board believes that the Company has fully complied with the CG Code since the Listing Date.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code on Securities Transactions by Directors set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code since the Listing Date and up to the date of publication of this annual report.

BOARD OF DIRECTORS

The Composition of the Board

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors:
Mr. Tien-An Lo (Chairman)
Mr. Dun-Ching Hung (appointed on 27 December 2011)
Mr. Chi-Ming Chou (appointed on 27 December 2011)

Non-executive Director:
Mr. Toshihito Hirasawa (appointed on 2 April 2012)

Independent Non-executive Directors:
Mr. Nianlin Zhu (appointed on 27 December 2011)
Mr. Weide Luo (appointed on 27 December 2011)
Ms. Wanwen Su (appointed on 27 December 2011)

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors and other senior management are set out on pages 16 to 19 of this annual report. The composition of the Board is well balanced which ensures that the unique expertise and experience of each Director are pooled together to meet the business needs of the Group and for the purposes of making independent well-balanced judgments. Each Director has the relevant professional and extensive corporate and strategic planning experience, and thus will contribute well to the business success of the Group.

Independent Non-Executive Directors

The Company has appointed three independent non-executive Directors, representing over one third of the members of the Board in compliance with Rule 3.10(1) of the Listing Rules. One of the independent non-executive Directors has the professional qualification of accounting. The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the Group and its shareholders, including the review of the continuing connected transactions described above in this annual report. The Board confirms that the Company has received from each of the independent non-executive Directors a confirmation of independence for the period up to the date of publication of this annual report pursuant to Rule 3.13 of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

Term of independent non-executive Directors and the non-executive Director

Each of the Independent non-executive Directors has entered into service agreements with the Company for a specific term. The term of the three Independent non-executive Directors commenced on the Listing Date for a term of three years. The term of Mr. Toshihito Hirasawa commenced on 2 April 2012 until 22 February 2015.

Functions of the Board

The Board supervises the management of the business and affairs of the Company. The primary duty of the Board is to ensure the ongoing operation of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Board delegates the authority and responsibility of daily operations, business strategies and day-to-day management of the Company to the Chief Executive Officer ("CEO") and the senior management.

CORPORATE GOVERNANCE REPORT

Delegation by the Board

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee and the senior management. On 27 December 2011, the Board approved the establishment of the Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee before the Listing of the Company's shares on the Stock Exchange.

Management Function

The division of responsibility between the Board and management is determined by the Memorandum and Articles of Association of the Company. The authority of making daily decisions has been delegated by the Board to the management.

Chairman and Chief Executive Officer

Mr. Tien-An Lo is the Chairman of the Company and Ms. Xiuping Zhu is the CEO. The roles of the chairman and CEO are served by different individuals to achieve a balance of authority and power, which is in compliance with the Code Provision A.2.1 of the CG Code.

Appointment, Re-election and Removal of Directors

Each of the Executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for a specific term and is subject to retirement by rotation at an annual general meeting at least once every three years. The retiring Director shall be eligible for re-election under the Articles of Association of the Company (the "Articles"). Under the Articles, any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next annual general meeting of the Company and shall be eligible for re-election.

Shareholders may, at any general meeting convened and held in accordance with the Company's Articles, remove a Director at any time before the expiration of his/her period of office notwithstanding anything to the contrary in the Company's Articles or in any agreement between the Company and such Director.

Training of Directors and senior management

Directors and senior management members have received training regarding a wide spectrum of areas relating to directors duties and corporate governance during the year. The Directors believe that such training would keep them abreast of relevant legal requirements and good corporate governance practices. In particular, on 19 March 2011, the Directors and senior management attended a directors training in relation to the duties and ongoing obligations of directors of listed companies, which was conducted by the Hong Kong legal advisors to our Company. The content of such training consisted of inter alia the following topics:

- Obligations of directors and senior management members arising from common law, the Hong Kong Companies Ordinance and the Listing Rules;
- Fiduciary duties of directors;
- Prospectus, announcement and circular disclosures; and
- Obligations of directors and senior management of listed companies, including those under Chapter 3, 13, 14, 14A and the relevant appendices of the Listing Rules.

Following the training, the Directors and senior management members were tested on those items discussed in the training to reinforce the content of the training.

The Company's Hong Kong legal advisors have also prepared a corporate governance manual for the Company, the content of which is based upon the content of the training.

On 27 December 2011, the Company's Hong Kong legal advisors conducted a further training with the Directors and senior management to reinforce their understanding of the Listing Rules and other applicable laws and regulations relating to directors and listed companies in Hong Kong. Such training also included updates of the Listing Rules since the last training.

During the period between around December 2010 and March 2011, the Company's PRC legal advisor held frequent meetings and extensive communications with our in-house legal department, in order to provide training on applicable laws relating to the business operations of the Group, particularly the operation of retail stores, licensing issues and other compliance issues.

The Company's PRC legal advisor conducted a customised training session for the benefit of key employees, including inter alia the Company's Directors and senior management, in order to reinforce their understanding of relevant legal duties and obligations of the Group.

Internally, the Company's senior management, including our executive Directors, will implement a training plan and conduct training sessions for our key staff members on a continuing basis, as and when necessary.

Board Meetings and Board Practices

The Board is scheduled to meet regularly and at least four times in one year. A notice of meeting shall be given to all Directors at least 14 days prior to the date of the meeting to enable all Directors to attend the meetings. The agenda of the meeting shall be determined after consulting each Director so that each Director is given the opportunity to include his/her proposals into the agenda.

Attendance of each Director at all the board meetings during the year is as follows:

	Number of board meetings attended/held	**Attendance ratio**
Mr. Tien-An Lo	0/1	0%
Mr.Dun-Ching Hung	1/1	100%
Mr.Chi-Ming Chou	1/1	100%
Mr. Yoshiaki Mizumoto	1/1	100%
Mr. Nianlin Zhu	1/1	100%
Mr. Weide Luo	1/1	100%
Ms. Wanwen Su	1/1	100%

Audit Committee

The Company established an audit committee (the “Audit Committee”) on 27 December 2011 with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee consists of three members, namely Mr Weide Luo, Ms Wanwen Su and Mr Nianlin Zhu. All of the committee members, including Mr Weide Luo, the chairman of the Audit Committee, who has a professional qualification in financial management and accountancy, are independent non-executive Directors. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2011 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

The Audit Committee has held one meeting after the Listing Date and up to the date of publication this annual report. The attendance of each member of the Audit Committee is set out in the following table:

	Number of Audit Committee meetings attended/held	Attendance ratio
Mr. Weide Luo	1/1	100%
Mr. Nianlin Zhu	0/1	0%
Ms. Wanwen Su	1/1	100%

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 27 December 2011 with written terms of reference in compliance with paragraph B1 of the CG Code. The primary duties of the Remuneration Committee include but without limitation: (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) evaluating and making recommendations on employee benefit arrangements. The Remuneration Committee consists of three members, namely Ms Wanwen Su, Mr Tien-An Lo and Mr Weide Luo.

The Remuneration Committee has held one meeting with the presence of all its members after the Listing Date and up to the date of publication of this annual report.

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 27 December 2011 with written terms of reference in compliance with paragraph A5 of the CG Code. The primary duty of the Nomination Committee is to make recommendations to the Board on the appointment and removal of Directors of the Company. The Nomination Committee consists of three members, namely Mr Nianlin Zhu, Mr Weide Luo and Mr Tien-An Lo.

The Nomination Committee has held one meeting with the presence of all its members after the Listing Date and up to the date of this report.

Corporate Governance Committee

The Company established a corporate governance committee (the "Corporate Governance Committee") on 27 December 2011 with written terms of reference as recommended under the CG Code. The primary duty of the Corporate Governance Committee is to implement the Company's internal control rules and advise and provide guidance on matters relating to corporate governance. The Corporate Governance Committee holds meetings monthly and members of the Committee are required to report to the Company Secretary, who reports to the Board during the quarterly Board meetings. The Corporate Governance Committee is chaired by Ms Xiuping Zhu, the chief executive officer of the Company, and consists of two of the vice-presidents of the Company, Mr Weilun Liao and Mr Jianhua Gu, and the head of the Company's human resource & administration department, Mr Wancheng Li.

The Corporate Governance Committee meets every month and reports to the Company Secretary of the Company, who will report to the Board at the quarterly board meetings.

Compliance Advisor

The Company has appointed SBI E2-Capital (HK) Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise the Company under the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

- where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in the prospectus or where the Company's business activities, developments or results deviated from any forecast, estimate or other information set out in the prospectus; and

- where the Hong Kong Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of its shares.

The compliance advisor will also assist the Directors in their review of compliance with internal control measures established in relation to the opening of retail outlets.

The term of the appointment has commenced on the Listing Date and will end on the date which the Company distributes the annual report in respect of the financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Group in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and the disclosure requirements of the Hong Kong Companies Ordinance. The Statement of the Company's auditor as to its responsibility for the financial statements is set out in the independent Auditor's Report of this annual report. There are no material uncertainties relating to events or circumstances which would otherwise cast doubt over the Company's ability to operate as a going concern.

Internal Control and Risk Management

The Board is responsible for the effectiveness of the Group's internal control systems. The Company has established a Corporate Governance Committee which is responsible for implementing and formulating the Group's internal control rules. The Corporate Governance Committee shall seek the approval of the Audit Committee prior to the adoption of any such rules or procedures. The Corporate Governance Committee shall also be responsible for overseeing legal and regulatory issues relating to the Company's operations, and review the implementation of internal controls on a monthly basis.

The Board has reviewed the effectiveness of the internal control system, and is of the view that the system is adequate and effective.

AUDITORS' REMUNERATION

An analysis of the remuneration payable to Deloitte Touche Tohmatsu, the Company's Auditors, up to the date of publication of this annual report is set out as follows:

	Fees paid/ payable for services rendered RMB'000
Audit service	1,210
Non-audit service	–
Total	1,210

INVESTOR RELATIONSHIP AND SHAREHOLDER RIGHTS

The Company's annual general meeting remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the operations of the Group. The Company's Articles allows a shareholder entitled to attend and vote to appoint more than one proxy to attend and vote on behalf of the shareholder and also provides that a proxy need not be a shareholder of the Company.

Code Provision E.1.3 of the CG Code stipulates that the issuer should arrange for the notice to shareholders to be sent in the case of the annual general meeting at least 20 clear business days before the meeting and in the case of all other general meetings at least 10 clear business days before the meeting.

The Company's external auditor is invited to attend the Company's annual general meeting and will assist the Directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and HKEx after each shareholder meeting.

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitonist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

During the year, the Company has made a number of amendments to its Articles due to its change of the Company's name and the increase of authorised capital of the Company, the latest version of which has been uploaded to the websites of the Stock Exchange and the Company.

The Company maintains a website at www.christine.com.cn which contains the Company's publicly disclosed financial information, annual reports, news releases, announcements, the procedures shareholders can use to propose a person for election as a Director and corporate developments.

Shareholders and potential investors are welcome to communicate with the Company by email: IR@christine.com.cn.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHRISTINE INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Christine International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 46 to 99, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
Revenue	5	**1,384,351**	1,284,458
Cost of sales		**(673,508)**	(636,182)
Gross profit		**710,843**	648,276
Other income and gains and losses	6	**36,771**	23,157
Other expenses	7	**(18,343)**	(1,896)
Share of profit (loss) of an associate	19	**35**	(345)
Distribution and selling expenses		**(512,245)**	(469,643)
Administrative expenses		**(85,650)**	(82,478)
Finance costs	8	**(1,414)**	(271)
Profit before taxation	9	**129,997**	116,800
Income tax expense	11	**(34,176)**	(28,451)
Profit and total comprehensive income for the year attributable to owners of the Company		**95,821**	88,349
Earnings per share – Basic (cents)	13	**12.8**	11.8

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	31/12/2011 RMB'000	31/12/2010 RMB'000
Non-current assets			
Property, plant and equipment	14	**685,377**	733,846
Prepaid lease payments for land	15	**52,555**	53,861
Intangible assets	16	**19,745**	19,641
Rental deposit		**11,033**	8,738
Deposits for purchase of non-current assets	17	**7,477**	10,696
Goodwill	18	**20,147**	20,147
Investment in an associate	19	**385**	350
Deferred tax assets	20	**21,667**	8,465
		818,386	855,744
Current assets			
Inventories	22	**35,796**	26,217
Tax recoverables		**1,508**	15,760
Trade and other receivables	23	**87,897**	76,403
Amounts due from related companies	24	**4,397**	4,885
Amounts due from a director	25	**–**	1,313
Other financial assets	21	**10,000**	255,000
Pledged bank deposits	26	**–**	76,020
Bank balances and cash	26	**798,302**	335,124
		937,900	790,722
Current liabilities			
Trade and other payables	27	**155,106**	136,801
Deposit from customers	28	**690,459**	613,528
Amounts due to related companies	30	**40,412**	42,709
Tax payables		**7,260**	6,399
Dividend payables		**–**	4,977
Borrowings	31	**–**	75,253
		893,237	879,667
Net current assets (liabilities)		**44,663**	(88,945)
Total assets less current liabilities		**863,049**	766,799

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	31/12/2011 RMB'000	31/12/2010 RMB'000
Non-current liabilities			
Deferred tax liabilities	20	**22,788**	21,993
Deferred income	32	**4,537**	4,903
		835,724	739,903
Capital and reserves			
Share capital	33	**6**	–
Reserves		**835,718**	739,903
Total equity attributable to owners of the Company		**835,724**	739,903

The consolidated financial statements on pages 46 to 99 were approved and authorized for issue by the Board of Directors on March 23, 2012 and are signed on its behalf by:

Tien An Lo
DIRECTOR

Dun Ching Hung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company					
		Reserves				
	Share capital RMB'000	Special reserve RMB'000 (Note a)	Statutory surplus reserves RMB'000 (Note b)	Retained earnings RMB'000	Total RMB'000	Total RMB'000
Balance at January 1, 2010	–	235,868	72,311	386,848	695,027	695,027
Profit and total comprehensive income for the year	–	–	–	88,349	88,349	88,349
Dividends recognised as distribution (Note 12)	–	–	–	(43,473)	(43,473)	(43,473)
Profit appropriation	–	–	9,990	(9,990)	–	–
Balance at December 31, 2010	–	235,868	82,301	421,734	739,903	739,903
Profit and total comprehensive income for the year	**–**	**–**	**–**	**95,821**	**95,821**	**95,821**
Issue of shares by capitalisation (Note 33)	**6**	**–**	**–**	**(6)**	**(6)**	**–**
Profit appropriation	**–**	**–**	**16,242**	**(16,242)**	**–**	**–**
Balance at December 31, 2011	**6**	**235,868**	**98,543**	**501,307**	**835,718**	**835,724**

Notes:

(a) The balance represented the reserve arising from Shanghai Christine Foodstuff Co., Ltd. ("Shanghai Christine") acquired the remaining 8% interest in Shanghai Ji Yuan De Foodstuff Co., Ltd. ("Shanghai Ji Yuan De") from non-controlling interest in 2008 and the paid in capital and reserve of Shanghai Christine, Shanghai Shuanghong Bakery Co., Ltd. ("Shuang Hong Bakery") and Nanjing Christine Foodstuff Co., Ltd. ("Nanjing Christine") recognised as special reserve upon completion of group reorganisaton in preparation for the listing of the Company's shares on the The Stock Exchange of Hong Kong Limited.

(b) Pursuant to the relevant PRC laws and regulations and the Articles of Association of the Company's PRC subsidiaries, the PRC subsidiaries are required to appropriate 10% of their profit after taxation reported in their financial statements prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant PRC subsidiaries.

The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalization issue. However, when converting the statutory surplus reserve of the PRC subsidiaries into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**129,997**	116,800
Adjustments for:		
Finance costs	**1,414**	271
Interest income	**(15,996)**	(6,624)
Loss on disposal of property, plant and equipment	**159**	590
Allowance for doubtful debts	**356**	479
Share of (profit) loss of an associate	**(35)**	345
Depreciation of property, plant and equipment	**88,356**	76,440
Amortisation of intangible assets	**1,391**	1,109
Amortisation of prepaid lease payment	**1,306**	947
Change in fair value of financial derivatives	**1,886**	266
Release of asset-related government grants	**(366)**	–
Exchange (gain) loss	**(1,347)**	195
Movements in working capital	**207,121**	190,818
Increase in trade and other receivables	**(11,850)**	(15,408)
Increase in rental deposit	**(2,295)**	(847)
Decrease (increase) in amounts due from related companies	**3,988**	(2,685)
Increase in inventories	**(9,579)**	(5,257)
Increase in trade and other payables	**15,240**	27,300
Increase in deposit from customers	**76,931**	80,165
(Decrease) increase in amounts due to related companies	**(4,639)**	12,159
Cash generated from operations	**274,917**	286,245
Income taxes paid	**(31,470)**	(41,393)
Net cash from operating activities	**243,447**	244,852

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
INVESTING ACTIVITIES		
Interest received	15,996	6,624
Government grant received related to non-current assets	–	4,903
Proceeds from disposal of property, plant and equipment	8,135	2,520
Proceeds from disposal of other financial assets	1,786,000	375,000
Acquisition of other financial assets	(1,541,000)	(595,000)
Purchase of intangible assets	(1,495)	(588)
Purchase of property, plant and equipment	(41,897)	(141,907)
Payments for prepaid lease payments	–	(18,817)
Placement of pledged bank deposits	–	(76,020)
Proceeds from release of pledged bank deposits	76,020	49,772
Advance to a director	–	(1,313)
Repayment of advance to a director	1,313	4,976
Loan to a related party	(3,500)	–
Net cash from (used in) investing activities	299,572	(389,850)
FINANCING ACTIVITIES		
Dividends paid to owner of the Company	(2,635)	(43,473)
Proceeds from borrowings	–	75,253
Repayment of borrowings	(73,906)	(143,043)
Inflow of gross settlement of financial derivatives	73,586	49,819
Outflow of gross settlement of financial derivatives	(75,472)	(50,085)
Interest paid	(1,414)	(2,317)
Net cash used in financing activities	(79,841)	(113,846)
Net increase (decrease) in cash and cash equivalents	463,178	(258,844)
Cash and cash equivalents at beginning of the year	335,124	593,968
Cash and cash equivalents (comprising bank balances and cash) at end of the year	798,302	335,124

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 11, 2008. Its parent company is Sino Century Universal Corporation, which is incorporated in the British Virgin Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

On 23 February 2012, the shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Listing").

The Company is an investment holding company. Its subsidiaries established in the People's Republic of China (the "PRC") are primarily engaged in the production and sales of bakery products. The detailed principal activities of its subsidiaries are set out in Note 40.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. Application of New and Revised Hong Kong Financial Reporting Standards

The Group has applied Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and Interpretations (the "IFRIC") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (hereinafter collectively referred to as "new HKFRSs"), which are effective for accounting periods beginning on January 1, 2011, since the year beginning on January 1, 2010.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

[1] Effective for annual periods beginning on or after July 1, 2011
[2] Effective for annual periods beginning on or after January 1, 2013
[3] Effective for annual periods beginning on or after January 1, 2015
[4] Effective for annual periods beginning on or after January 1, 2012
[5] Effective for annual periods beginning on or after July 1, 2012
[6] Effective for annual periods beginning on or after January 1, 2014

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending December 31, 2015 and that the application of HKFRS 9 may affect the classification and measurement of the Groups' financial assets and financial liabilities should such designation be made in the future.

HKFRS 10 *Consolidated Financial Statements* replaces part of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation for all entities, and that basis is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires more extensive judgment.

2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

HKFRS 12 *Disclosure of Interests in Other Entities* is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. HKFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of HKFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on financial statements. The disclosure requirements set out in HKFRS 12 are more extensive than those in the current standards.

The directors anticipate that HKFRS 10 and 12 will be adopted in the Group's consolidated financial statements for the financial year ending December 31, 2013.

Except for HKFRS 9, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting policies that conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year (other than business combinations involving entities under common control) are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Significant Accounting Policies (Continued)

Investments in subsidiary

Investments in subsidiary are included in the Company's statement of financial position at cost less accumulated impairment losses.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial positions.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition.

3. Significant Accounting Policies (Continued)

Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant Accounting Policies (Continued)

Investments in associates (Continued)

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3. Significant Accounting Policies (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepayments for operating leases and recorded as land use rights, which are amortised over the respective period of the lease using the straight-line method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL include financial assets held-for-trading. A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposit, trade and other receivables, amounts due from related companies, amounts due from a director, other financial assets – structured deposits, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related companies, dividend payables, and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on non-current assets other than financial assets, deferred tax assets and goodwill (see the accounting policy in respect of financial assets, deferred tax assets and goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

At December 31, 2011, deferred tax assets of RMB21,667,000 (2010: RMB8,465,000) in relation to bad debt provision of trade receivables, temporary differences of property, plant and equipment and temporary differences of sales recognized and payroll accruals have been recognised in the consolidated statements of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at December 31, 2011, the carrying amount of goodwill was approximately RMB20 million (2010: RMB20 million) and no impairment loss has been recognised.

Useful lives of property, plant and equipment

As described in Note 3 above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. For the current year, there was no change in the useful lives of certain items of property, plant and equipment.

Impairment of property, plant and equipment

As described in Note 3 above, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. Determining whether property, plant and equipment are impaired requires an estimation of the value in use of the assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the continuing use of the assets and from its ultimate disposal and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. Segment Information

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focused on the types of products, which include four reportable segments: (1) Bread and cakes; (2) Moon Cakes; (3) Pastries; (4) Other food products.

Segment revenue and segment results

	Segment revenue		Segment results	
	31/12/2011 RMB'000	31/12/2010 RMB'000	**31/12/2011 RMB'000**	31/12/2010 RMB'000
Bread and cakes	**960,154**	889,265	**429,104**	394,479
Moon cakes	**184,277**	180,980	**142,116**	132,489
Pastries	**177,849**	155,442	**103,627**	86,841
Others	**62,071**	58,771	**35,996**	34,467
	1,384,351	1,284,458	**710,843**	648,276
Unallocated other income and gains and losses			**36,771**	23,157
Unallocated other expenses			**(18,343)**	(1,896)
Unallocated share of profit (loss) of an associate			**35**	(345)
Unallocated expenses			**(597,895)**	(552,121)
Unallocated finance costs			**(1,414)**	(271)
Profit before taxation			**129,997**	116,800
Income tax expense			**(34,176)**	(28,451)
Profit for the year			**95,821**	88,349

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the results of each reportable segments, excluding distribution and selling expenses, administrative expenses, other income and other gains and losses, other expenses, share of profit (loss) of an associate, finance costs and income tax expense.

5. Segment Information (Continued)

Segment assets and liabilities

The Board of Directors do not review segment assets and liabilities as the assets and liabilities are generally for all reportable segments and segmental analysis is not practicable. Therefore, no further analysis of segment assets and liabilities is presented.

Geographical information

All of the Group's revenue, profit before taxation, assets and liabilities were derived from or located in the PRC, and therefore no geographical information is presented.

No single customer contributed over 10% of the total revenue of the Group for both 2011 and 2010.

6. Other Income and Gains and Losses

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Interest income	**15,996**	6,624
Government grants (Note a)	**8,143**	8,138
Release of asset-related government grants	**366**	–
Gain on expired unpresented coupons (Note b)	**9,038**	6,972
Loss on disposal of property, plant and equipment	**(159)**	(590)
Exchange gains (losses)	**1,347**	(195)
Change in fair value of financial derivatives	**(1,886)**	(266)
Gain on disposal of scrap and other materials	**2,955**	1,588
Others	**971**	886
	36,771	23,157

Notes:

(a) The amounts primarily represented incentives received from local authorities by the group entities located in the PRC for eminent contribution and encouragement of its business development. These grants are accounted for as immediate financial support without future related costs to be incurred or unrelated to any assets.

(b) The Group issues and sells coupons to the customers which are non-refundable and are redeemed in exchange for products of the Group within a fixed future period. After the expiry of the coupons, the Group has no obligation to accept their redemption by the customers. The amounts represented the gains recognised upon the release of the coupon liabilities when the Group considered that all its contractual and constructive obligations had been fully discharged after taking into account an additional grace period granted to customers after expiry.

7. Other Expenses

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Donation	**–**	1,001
Listing expenses	**17,322**	–
Others	**1,021**	895
	18,343	1,896

8. Finance Costs

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	**1,414**	2,317
Less: amount capitalized (Note)	**–**	(2,046)
	1,414	271

Note: Finance costs capitalised during 2010 arose on bank loans and were calculated by applying a capitalization rate of 5.02% per annum to expenditure on qualifying assets.

9. Profit before Taxation

Profit before taxation has been arrived at after charging (crediting):

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Directors' remuneration	**960**	700
Contribution to retirement benefits schemes	**33,973**	23,971
Other staff costs	**264,437**	210,494
	299,370	235,165
Depreciation of property, plant and equipment	**88,356**	76,440
Amortization of intangible assets	**1,391**	1,109
Loss on disposal of property, plant and equipment	**159**	590
Operating lease rentals in respect of		
– land use rights	**1,306**	947
– rented retail outlets	**146,695**	130,700
Auditor's remuneration	**1,592**	519
Cost of inventories recognised as expenses	**673,508**	636,182
Allowance for doubtful debts	**356**	479

10. Directors' and Employees' Emoluments

(a) Director's emoluments

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Executive directors – salaries and other benefits		
Tien-An Lo	**960**	700
Chi-Ming Chou	**–**	–
Dun-Ching Hung	**–**	–
Non-executive director		
Yoshiaki Mizumoto	**–**	–
	960	700

10. Directors' and Employees' Emoluments (Continued)

(a) Director's emoluments (Continued)

No fees, retirement benefits or other emoluments have been paid to the directors for both 2011 and 2010.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

Independent non-executive directors include Mr. Nianlin Zhu, Mr. Weide Luo and Ms. Wanwen Su. They were all appointed on December 27, 2011 and no emoluments were paid to them for the current year.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2010: one) was director of the Company whose emoluments are included in the disclosures in note above. The emoluments of the remaining four (2010: four) individuals were as follows:

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Salaries and other benefits	**1,379**	1,373
Contribution to retirement benefits schemes	**–**	–
Discretionary and performance related incentive payments	**–**	–

Their emoluments were all less than HK$1,000,000.

11. Income Tax Expenses

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
PRC enterprise income tax ("EIT")	**46,374**	29,973
Under provision in respect of prior years	**209**	656
Withholding tax paid/payable during the year	**–**	2,000
Deferred tax (Note 20)	**(12,407)**	(4,178)
Total tax expense	**34,176**	28,451

The Company and Christine International Holdings (BVI) Co., Ltd. ("Christine BVI") are registered in countries where income tax is exempted.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor is derived from Hong Kong.

On March 16, 2007, the PRC promulgated the Law of the PRC on enterprise income tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. The New EIT Law has unified the income tax rate to 25% for all the PRC enterprises from January 1, 2008 onwards.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No.39), the tax exemption and 50% deduction from enterprise income tax for foreign investment enterprises (the "two-year exemption and three-year half deduction") is still applicable until the end of the five-year transitional period under the New EIT Law and those entities that previously enjoyed a tax incentive rate at 15% would increase their applicable tax rate progressively to 25% over a five-year transitional period until the year of 2012. Therefore, Shanghai Ji Yuan De Foodstuff Co., Ltd. ("Shanghai Ji Yuan De") is entitled to a tax rate of 24% for 2011 (2010: 22%).

Nanjing Christine was entitled to the two-year exemption and three-year half deduction starting from 2008, and therefore its tax rate for 2011 is 12.5% (2010: 12.5%).

Shuang Hong Bakery was entitled to the two-year exemption and three-year half deduction starting from 2006. Therefore, Shuang Hong Bakery was entitled to half deduction of enterprise income tax for the year ended December 31, 2010.

11. Income Tax Expenses (Continued)

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividend earned and payable to investors that are "non-tax resident enterprises" in respect of profits earned by PRC subsidiaries since January 1, 2008, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends paid by the PRC subsidiaries to offshore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. Therefore, withholding tax has been provided for based on the anticipated dividends to be paid by the PRC entities. As the Group has decided not to declare any dividends from its PRC subsidiaries for the years ended December 31, 2009 and 2010, no provision for withholding tax has been made for both years.

The tax charge for the year can be reconciled to the accounting profit as follows:

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Profit before tax	**129,997**	116,800
Income tax expense calculated at applicable tax rate (Note)	**32,499**	29,200
Effect of expenses that are not deductible in determining taxable profit	**1,734**	2,889
Under provision in respect of prior years	**209**	656
Share of profit (loss) of an associate	**(9)**	86
Effect of unrecognised tax losses and deductible temporary differences	**1,009**	1,234
Effect of concessionary income tax rates of PRC subsidiaries	**(3,009)**	(5,614)
Utilisation of tax losses and deductible temporary differences previously not recognized	**(1,457)**	–
Effect of withholding income tax arising from undistributed profits of PRC subsidiaries	**3,200**	–
Income tax expense recognised in profit or loss	**34,176**	28,451

Note: Income tax expense is basically calculated at the rate of 25% which is the statutory EIT rate of the PRC entities.

12. Dividends

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Dividends recognised as distribution during the year	**–**	43,473

For the year ended 31 December 2010, the rate of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of these financial statements.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2011 of HK3.5 cents per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meetings.

13. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the year and the weighted average of 750,000,000 shares for the year ended December 31, 2011 (for the year ended December 31, 2010: 750,000,000). The weighted average number of shares for the purpose of calculating basic earnings per share for the year has been retrospectively adjusted for the total of 750,000,000 ordinary shares issued on December 27, 2011 on the assumption that the capital reorganization (as more fully disclosed in Notes 33) had been effective on January 1, 2010.

Diluted earning per share is not presented for the year as there were no potential ordinary shares outstanding.

14. Property, Plant and Equipment

	Leasehold improvements RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Fixtures and and office equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost							
At January 1, 2010	84,097	315,711	326,317	19,035	83,296	112,963	941,419
Additions	10,352	4,420	17,069	2,716	27,670	47,600	109,827
Transfer	8,816	37,157	54,523	–	66	(100,562)	–
Disposals	(3,751)	–	(3,988)	(1,696)	(3,738)	–	(13,173)
At December 31, 2010	99,514	357,288	393,921	20,055	107,294	60,001	1,038,073
Additions	**16,119**	**488**	**9,695**	**114**	**11,944**	**9,821**	**48,181**
Transfer	**15,505**	**5,664**	**3,849**	**–**	**1,995**	**(27,013)**	**–**
Disposals	**(4,514)**	**–**	**(11,011)**	**(979)**	**(1,761)**	**–**	**(18,265)**
At December 31, 2011	**126,624**	**363,440**	**396,454**	**19,190**	**119,472**	**42,809**	**1,067,989**
Accumulated depreciation and impairment							
At January 1, 2010	65,700	42,784	80,238	8,094	41,034	–	237,850
Depreciation for the year	14,714	14,401	26,763	2,933	17,629	–	76,440
Disposals	(2,409)	–	(2,882)	(1,211)	(3,561)	–	(10,063)
At December 31, 2010	78,005	57,185	104,119	9,816	55,102	–	304,227
Depreciation for the year	**19,250**	**14,780**	**34,260**	**2,670**	**17,396**	**–**	**88,356**
Disposals	**(4,514)**	**–**	**(3,225)**	**(831)**	**(1,401)**	**–**	**(9,971)**
At December 31, 2011	**92,741**	**71,965**	**135,154**	**11,655**	**71,097**	**–**	**382,612**
Net book value							
At December 31, 2011	**33,883**	**291,475**	**261,300**	**7,535**	**48,375**	**42,809**	**685,377**
At December 31, 2010	21,509	300,103	289,802	10,239	52,192	60,001	733,846

14. Property, Plant and Equipment (Continued)

The Group has not obtained the title certificates for the buildings located in the PRC with carrying amounts of RMB2,351,000 as at December 31, 2011 (2010: RMB2,489,000).

The above items of property, plant and equipment (other than construction in progress) are depreciated over their estimated useful lives after taking into account their estimated residual value on a straight-line basis at the following rates per annum:

Leasehold improvements	The shorter of the lease term or estimated useful lives of three years
Buildings	2.5%-4.5%
Machinery and equipment	9%
Motor vehicles	18%
Fixtures and office equipments	18.2%

The Group's buildings are located on land in the PRC under long and medium-term leases.

15. Prepaid Lease Payments for Land

	31/12/2011 RMB'000	31/12/2010 RMB'000
CARRYING AMOUNT		
At the beginning of the year	**55,167**	37,297
Additions	**–**	18,817
Charged for the year	**(1,306)**	(947)
At the end of the year	**53,861**	55,167
Less: Current portion to be charged within next year included in trade and other receivables	**1,306**	1,306
Non-current portion	**52,555**	53,861

The amount represents operating leasehold lands located in the PRC and is amortised on a straight-line basis over the lease term of 38 to 50 years.

16. Intangible Assets

	Software RMB'000	Trademark RMB'000	Sales network RMB'000	Total RMB'000
COST				
At January 1, 2010	3,805	10,635	5,860	20,300
Additions	588	–	–	588
At December 31, 2010	4,393	10,635	5,860	20,888
Additions	**1,495**	**–**	**–**	**1,495**
At December 31, 2011	**5,888**	**10,635**	**5,860**	**22,383**
AMORTISATION				
At January 1, 2010	–	89	49	138
Charge for the year	284	532	293	1,109
At December 31, 2010	284	621	342	1,247
Charge for the year	**566**	**532**	**293**	**1,391**
At December 31, 2011	**850**	**1,153**	**635**	**2,638**
CARRYING VALUES				
At December 31, 2011	**5,038**	**9,482**	**5,225**	**19,745**
At December 31, 2010	4,109	10,014	5,518	19,641

The above intangible assets have definite useful lives which are amortised on a straight-line basis at the following rates per annum:

Software	20%
Trademark	5%
Sales network	5%

17. Deposits for Purchase of Non-current Assets

	31/12/2011 RMB'000	31/12/2010 RMB'000
Deposits for purchase in respect of		
– Land use rights	**5,000**	5,000
– Property, plant and equipment	**2,477**	5,696
	7,477	10,696

18. Goodwill

	31/12/2011 RMB'000	31/12/2010 RMB'000
COST AND CARRYING AMOUNTS		
Goodwill upon business combination	**20,147**	20,147

The amounts represents the goodwill arose from the acquisition of 100% interest in Hangzhou Danbi Food Co., Ltd. ("Hangzhou Danbi"), the cash generating unit (the "CGU").

As at December 31, 2011, management of the Group determined that the CGU containing goodwill had not suffered any impairment. The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 12.5% (2010: 12.5%). The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2010: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows, including budgeted sales and gross margin, which is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the corresponding recoverable amount.

19. Investment in an Associate

	31/12/2011 RMB'000	31/12/2010 RMB'000
Cost of unlisted investment in an associate	**1,916**	1,916
Share of post-acquisition losses, net of dividends received	**(1,531)**	(1,566)
	385	350

As at December 31, 2011 and 2010, the Group has interest in the following associate:

Name of associate	Place and date of establishment	Registered capital	Attributable equity interest of the Group	Principal activity
Aroma Coffee (Shanghai) Co., Ltd. ("Aroma Coffee")	PRC December 29, 2006	JPY120,000,000	25%	Producing and selling coffee products

The summarised financial information of the associate is set out below:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Total assets	**8,618**	7,322
Total liabilities	**(7,046)**	(5,887)
Net assets	**1,572**	1,435
Group's share of net assets of the associate	**385**	350
Revenue for the year	**16,624**	4,853
Profit (loss) for the year	**138**	(1,380)
Group's share of profit (loss) of the associate for the year	**35**	(345)

20. Deferred Taxation

The following are the major deferred taxation assets (liabilities) recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profits RMB'000	Revaluation of intangible assets RMB'000	Bad debt provision of trade receivables RMB'000	Temporary differences of property, plant and equipment RMB'000	Temporary differences of sales recognized and payroll accruals RMB'000	Unrealized Profit RMB'000	Total RMB'000
At January 1, 2010	(20,110)	(4,089)	–	2,287	4,206	–	(17,706)
(Charge) credit to consolidated statement of comprehensive income for the year	2,000	206	–	(633)	2,605	–	4,178
At December 31, 2010	(18,110)	(3,883)	–	1,654	6,811	–	(13,528)
(Charge) credit to consolidated statement of comprehensive income of the year	**(3,200)**	**206**	**222**	**35**	**14,512**	**632**	**12,407**
At December 31, 2011	**(21,310)**	**(3,677)**	**222**	**1,689**	**21,323**	**632**	**(1,121)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Deferred tax assets	**21,667**	8,465
Deferred tax liabilities	**(22,788)**	(21,993)
	(1,121)	(13,528)

20. Deferred Taxation (Continued)

The Group has unutilized tax losses of RMB9,737,000 as at December 31, 2011 (2010: RMB17,361,000) available for offset against future profits. No deferred tax has been recognised due to the unpredictability of future profit streams of the respective entities. The tax losses will expire from 2011 to 2016.

The Group has deductible temporary differences of RMB17,079,000 (2010: RMB14,475,000) in respect of depreciation of plant and equipment as at December 31, 2011 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of the respective entities.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. No deferred taxation has been provided in these financial statements in respect of the temporary differences attributable to the retained profits of the PRC subsidiaries amounting to approximately RMB245,675,000 (2010: RMB182,944,000) as at December 31, 2011 as the Group is able to control the timing of the reversal of such temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. Other Financial Assets

Other financial assets as at December 31, 2011 represented the held-for-trading investment, whose fair value was determined with reference to quoted market price, and was subsequently disposed on January 16. 2012.

Other financial assets as at December 31, 2010 represented the structured deposits carrying fixed interest rates of 3.0-3.50% per annum and maturity periods ranging from 85-100 days.

22. Inventories

	31/12/2011 RMB'000	31/12/2010 RMB'000
Raw materials	**22,590**	16,110
Finished goods	**13,206**	10,107
	35,796	26,217

23. Trade and Other Receivables

	31/12/2011 RMB'000	31/12/2010 RMB'000
Trade receivables	25,913	27,580
Less: Allowance for doubtful debts	(887)	(531)
	25,026	27,049
Advance to suppliers	3,977	5,767
Prepaid lease payments for land and retail outlets	43,020	36,371
Prepaid expenses	2,743	–
Other receivables	5,190	7,216
Other tax recoverable	7,941	–
	87,897	76,403

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoiced date at the end of each reporting period:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Age		
0 to 30 days	14,498	20,332
31 to 60 days	7,962	–
61 to 90 days	938	5,287
91 to 180 days	1,273	1,056
Over 180 days	355	374
	25,026	27,049

The Group's trade receivables are mainly due from department stores, supermarkets and cash consumer card issuers.

Most of the Group's sales are conducted in cash or prepaid by the customers. There is no credit period for direct sales of the Group's products from the self-owned retail outlets. Sales proceeds from retail outlets which are located in department stores and supermarkets are normally collected and paid to the Group by the department stores and supermarkets within 30 to 60 days after the sales of the products.

The Group will monitor and review the credit conditions of the department stores, supermarkets and cash consumer card issuers on a timely basis. The Group's management considers that the Group has no significant credit risks because those department stores, supermarkets and cash consumer card issuers have good reputation and long term relationship with the Group.

23. Trade and Other Receivables (Continued)

The Group has provided full allowance for certain overdue receivables because the management has assessed the recoverability of each overdue receivable and determined that those receivables are generally not recoverable.

Included in the Group's trade receivable balance are debtors with carrying amounts of approximately RMB2.6 million as at December 31, 2011 (2010: RMB6.7 million), which are past due at the reporting date for which the Group has not provided for impairment loss. The Group considers these receivables can be collected. The Group does not hold any collateral over these balances.

The following is the aging of trade receivables which are past due but not impaired:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Age		
61 to 90 days	938	5,287
91 to 180 days	1,273	1,056
Over 180 days	355	374
	2,566	6,717

Movement in the allowance for doubtful debts:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Beginning of the year	531	52
Allowance charged to profit or loss	356	479
End of the year	887	531

24. Amounts Due from Related Companies

(a) In addition to that disclosed in Notes 19, the relationships between the Group and its related parties are as follows:

Name	Relationship with the Company
Nanjing Christine S&T Hose Co., Ltd. ("Christine Hose")	A company controlled by a director, Mr. Tien-An Lo
Shanghai Yi Pin Xuan Foodstuff Co., Ltd. ("Yi Pin Xuan")	A company controlled by Ms. Ching-Ying Huang Lo, who is a close member of the family of Mr. Tien-An Lo

(b) As at the end of the reporting period, the Group has outstanding balances with the related parties as follows:

	Balance		Maximum amount outstanding during the year	
	31/12/2011 RMB'000	31/12/2010 RMB'000	**31/12/2011 RMB'000**	31/12/2010 RMB'000
Christine Hose	**–**	3,820	**3,820**	3,820
Yi Pin Xuan	**4,397**	1,065	**5,499**	3,190
	4,397	4,885	**9,319**	7,010

The balance with Christine Hose as at December 31, 2010 was trade-related advance for purchase of materials.

The balances with Yi Pin Xuan as at December 31, 2011 includes an unsecured, interest free loan of RMB3,500,000, which was settled before the Listing and the remaining balances of RMB897,000 and the balance as at December 31, 2010 were trade-related receivables for sales of materials with a credit period of 30 days.

25. Amounts Due from a Director

Amounts due from a director represent amounts paid on behalf of a director. The amounts were interest free and fully repaid in the current year.

The maximum amount outstanding due from a director is RMB1,313,000 during the year ended December 31, 2011 (2010: RMB1,313,000).

26. Bank Balances and Cash/Pledged Bank Deposits

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less.

Bank balances and cash carry interest at market rates ranging from 0.50% to 1.49% (2010: 0.36% to 1.71%) per annum at December 31, 2011.

The pledged bank deposits of the Group carried interest at rates of 1.66-3.36% per annum at December 31, 2010. The bank deposits had been pledged to secure short-term bank borrowings and such pledges was released during the current year upon the settlement of the relevant bank borrowings.

27. Trade and Other Payables

	31/12/2011 RMB'000	31/12/2010 RMB'000
Trade payables	**73,491**	71,212
Payroll and welfare payable	**33,941**	32,830
Other tax payable	**4,809**	4,328
Pension payable	**2,009**	1,520
Other payables and accruals	**26,013**	15,133
Payables for acquisition of property, plant and equipments	**14,843**	11,778
	155,106	136,801

The Group normally is allowed a credit term of 45 to 60 days by its suppliers. The following is an aged analysis of trade payables presented based on the invoiced date at the end of the reporting period:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Age		
0 to 45 days	**61,338**	44,206
46 to 60 days	**7,466**	17,229
61 to 90 days	**2,218**	1,518
91 to 180 days	**38**	1,906
Over 180 days	**2,431**	6,353
	73,491	71,212

28. Deposit from Customers

Among the deposit from customers, there were approximately RMB686,088,000 (2010: RMB609,942,000) of coupon (including paper coupon and pre-paid card) liabilities as at December 31, 2011, which represented the balances of the coupons issued and sold to the customers by the Group. Those coupons are recorded as liabilities when sold and released as revenue when redeemed by the customers in exchange for products of the Group, or recognised as other income after all contractual and constructive obligations of the Group have been discharged after taking into account an additional grace period granted to customers after expiry. Other than coupon liabilities, the remaining balance of deposit from customers primarily represented the prepayment received from corporates for bulk purchases and deposits from individuals for made-to-order products.

29. Foreign Exchange Forward Contracts

As at December 31, 2010, the Group had entered into the following foreign exchange forward contracts to mitigate its foreign currency exposure related to its United States dollars ("US$") denominated bank borrowings:

Notional amount	Maturity	Exchange rates
Buy US$6,564,000	March 28, 2011	US$1:RMB6.6860
Buy US$4,799,000	November 28, 2011	US$1:RMB6.5816

No financial assets or liabilities were recognised in respect of the financial derivatives set out above since their fair values were insignificant as at December 31, 2010. The above foreign exchange forward contracts were settled during the current year.

30. Amounts Due to Related Companies

(a) In addition to those disclosed in Notes 19 and 24(a), the relationships between the Group and its related parties are as follows:

Name	Relationship with the Company
Shanghai Meixin Trade Co., Ltd. ("Meixin")	A company controlled by a director, Mr. Dun-Ching Hung
Shanghai Jiaguo Packaging Product Co., Ltd. ("Jiaguo")	A company controlled by a director, Mr. Chi-Ming Chou and his family
Shanghai Guangcan Foodstuff Co., Ltd. ("Guangcan")	A company controlled by a director, Mr. Dun-Ching Hung and his family
Wujiang Shangpu Packaging Products Co., Ltd. ("Wujiang Shangpu")	A company controlled by a director, Mr. Chi-Ming Chou and his family
Tongcan Trade Limited Company ("Tongcan")	A company controlled by a director, Mr. Dun-Ching Hung and his family
Marubeni Shanghai Co., Ltd. ("Marubeni Shanghai")	A company controlled by a substantial shareholder of the Company
Asia Christine International Holdings Co., Ltd. ("Asia Christine")	A company which was the then immediate and sole shareholder of the Company prior to the completion of share repurchase and shares transfer (as disclosed in Note 33) and was owned by the same shareholders of the Company immediately before the Listing

(b) As at the end of the reporting period, the Group has outstanding balances with the related parties as follows:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Meixin	**5,380**	4,819
Christine Hose	**–**	2,931
Jiaguo	**–**	2,161
Guangcan	**708**	479
Aroma Coffee	**32**	223
Yi Pin Xuan	**13,880**	19,652
Wujiang Shangpu	**3,180**	339
Marubeni Shanghai	**14,784**	12,053
Tongcan	**106**	52
Asia Christine	**2,342**	–
	40,412	42,709

30. Amounts Due to Related Companies (Continued)

(b) As at the end of the reporting period, the Group has outstanding balances with the related parties as follows: (Continued)

Within the balance with Asia Christine, all non-trade in nature, is RMB1,089,000 outstanding balance fully repaid prior to the Listing.

The remaining balances are trade in nature with a credit term ranging from 45 days to 60 days. The following is an aged analysis of amounts due to related companies at the end of each reporting period.

	31/12/2011 RMB'000	31/12/2010 RMB'000
Age		
0 to 45 days	34,807	36,253
46 to 60 days	2,710	5,754
61 to 90 days	527	–
91 to 180 days	–	665
Over 180 days	26	37
Total	38,070	42,709

31. Borrowings

	31/12/2011 RMB'000	31/12/2010 RMB'000
Secured bank loans denominated in US$	–	75,253

The principal of secured bank loans was US$11,363,000 with fixed interest rates of 1.66%-3.37% per annum as at December 31, 2010. The bank loans were secured by pledged deposits amounted to RMB75,692,000 at December 31, 2010. The above bank loan was repaid during the current year.

32. Deferred Income

Pursuant to a notice from the local government, a wholly-owned subsidiary of the Group was granted a subsidy of approximately RMB6,245,000 in April 2010 in order to compensate for the expenditures and losses arising from the dismantlement and relocation of the plant. Approximately RMB1,342,000 of the subsidy that relates to the compensation of suspension of operation and decoration cost of the old plant was recognised in profit or loss in the year ended December 31, 2011 upon dismantlement and relocation. The remaining RMB4,903,000 has been deferred and would be recognized in profits or loss over the useful lives of the relevant assets. Approximately RMB366,000 has been released to profit and loss in the year ended December 31, 2011 (2010: nil).

33. Share Capital

	Number of shares	
	31/12/2011	31/12/2010
	'000	'000
Authorized		
At beginning of year at US$0.0001 each	**500,000**	500,000
Cancellation of 500 million shares at US$0.0001 each	**(500,000)**	–
Creation of 10,000 million shares at HK$0.00001 each	**10,000,000**	–
At end of year at HK$0.00001 (2010: US$0.0001) each	**10,000,000**	500,000

	Number of shares		Share capital	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
			RMB'000	RMB'000
Issued and fully paid				
At beginning of year at US$0.0001 each	**1**	1	**–**	–
Repurchased 1 share at US$0.0001 each	**(1)**	–	**–**	–
Issued 78 shares at HK$0.00001 each	**78**	–	**–**	–
Issue by capitalization at HK$0.00001 each	**749,999,922**	–	**6**	–
At end of year at HK$0.00001 (2010: US$0.0001) each	**750,000,000**	1	**6**	–

At of the date of incorporation, the Company's authorised share capital is 500,000,000 shares of US$0.0001 each and one share of par value of US$0.0001 was issued and fully paid up on the same date.

Pursuant to a capital reorganization on December 27, 2011, the authorized share capital of the Company was increased by HK$100,000 by the creation of 10,000,000,000 shares of HK$0.00001 each; then the authorized but unissued share capital of the Company was diminished by the cancellation of all 500,000,000 unissued shares of US$0.0001 each in the capital of the Company;

At the same date, 78 shares of HK$0.00001 each were issued to Asia Christine; and the one existing issued share of US$0.0001 belonging to Asia Christine was repurchased by the Company;

Immediately following the repurchase as described above, the Company issued additional 749,999,922 shares of HK$0.00001 each to Asia Christine by way of capitalization, following which Asia Christine resolved to distribute and transfer each of its 750,000,000 shares of HK$0.00001 each to the shareholders of Asia Christine pro rata.

34. Operating Lease Arrangements

The Group as lessee

	31/12/2011 RMB'000	31/12/2010 RMB'000
Minimum lease payments made in respect of rented retail outlets under operating leases during the year:	**146,165**	129,789
Contingent rentals	**530**	911
	146,695	130,700

The operating lease rentals of certain outlet stores are determined based on the higher of a minimum guaranteed rental or a rate based on sales. At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of rented retail outlets under non-cancellable operating leases which fall due as follows:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Within one year	**79,875**	123,536
In the second to fifth year inclusive	**164,124**	195,586
After five years	**10,106**	26,376
	254,105	345,498

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail outlets leased by the Group. In general, these contingent rents are calculated with reference to the turnover of relevant outlets using pre-determined rate. It is not practicable to estimate in advance the amount of such contingent rent payable.

34. Operating Lease Arrangements (Continued)

The Group as lessor

Rental income earned from sub-lease arrangement with Yi Pin Xuan (Note 39(b)) during the year was RMB1,080,000 (2010: nil).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Within one year	**1,080**	1,080
In the second to fifth year inclusive	**4,320**	4,320
After five years	**1,080**	2,160
	6,480	7,560

35. Commitments and Contingencies

	31/12/2011 RMB'000	31/12/2010 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**6,001**	2,464
Capital expenditure authorised but not contracted for in respect of:		
Acquisition of property, plant and equipment	**198,100**	–
Expansion of retail network	**125,200**	–

The Group had no significant contingent liabilities at the end of the reporting period.

36. Retirement Benefit Schemes

Employees of the PRC subsidiaries are members of a state-managed retirement benefit scheme operated by the PRC government. The PRC subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. As at December 31, 2011, the outstanding payable for retirement benefit scheme contributions amounted to RMB2,009,000 (2010: RMB1,520,000).

37. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010. The capital structure of the Group consists of debt (which includes borrowings) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The Group's management reviews the capital structure on a timely basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group's management will balance its overall capital structure through payment of dividend, new share issues and the issue of debt if necessary.

38. Financial Instruments

(a) Categories of financial instruments

	31/12/2011 RMB'000	31/12/2010 RMB'000
Financial assets		
FVTPL – held-for-trading	**10,000**	–
Loans and receivables (including cash and cash equivalents)	**843,948**	711,525
	853,948	711,525
Financial liabilities		
Amortised cost	**178,572**	244,119

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, rental deposit, other financial assets, bank balances and cash, trade and other payables and amounts due from (to) related companies, amounts due from a director, pledged bank deposits, dividend payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

38. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk

The Group has limited exposure to interest rate risk because the Group has no interest-bearing financial assets/liabilities other than bank deposits, bank balances and bank borrowings. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable-rate bank deposits and balances are all short-term in nature. The interest rates of the bank borrowings are fixed and may only expose the Group to fair value interest rate risk. Therefore, no interest rate sensitivity analysis is presented.

Foreign exchange risk

The Group collects all of its revenue in RMB and most of its expenditures are also denominated in RMB. As at December 31, 2010, the Group had external bank borrowings denominated in a foreign currency as set out in Note 31, which exposed the Group to foreign currency risk. The Group had entered into certain foreign exchange forward contracts as disclosed in Note 29 with a bank to fix the exchange rate for the bank borrowings repayment to mitigate the exposure. The above mentioned bank borrowing and forward contracts were settled in the current year.

No sensitivity analysis has been presented as the directors of the Company consider that the foreign exchange risk exposure of the Group was minimal as at December 31, 2010.

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Most of the Group's sales are conducted in cash or prepaid by the customers. The Group's trade receivables are primarily due from department stores and cash consumer card issuers. The Group will closely monitor and review the credit conditions of the department stores and cash consumer card issuers on a timely basis. In addition, the Group's other receivables primarily consist of rental deposits which have a minor risk of default. The Group reviews the recoverable amount of each individual other receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The amounts presented in the consolidated statements of financial position are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

38. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management (Continued)

With respect to credit risk arising from the other financial assets and bank balances of the Group, the Group's exposure to credit risk arising from the default of counterparties is limited as the counterparties are state-owned banks located in the PRC.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, as well as state-owned banks.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non derivative financial liabilities at the end of the reporting period. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

38. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity and interest risk tables (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
December 31, 2011						
Non-derivative financial liabilities						
Trade and other payables	N/A	138,160	–	–	138,160	138,160
Amount due to related companies	N/A	40,412	–	–	40,412	40,412
		178,572	–	–	178,572	178,572
December 31, 2010						
Non-derivative financial liabilities						
Trade and other payables	N/A	121,180	–	–	121,180	121,180
Amounts due to related companies	N/A	42,709	–	–	42,709	42,709
Borrowings	2.38	–	43,834	32,851	76,685	75,253
Dividend payables	N/A	4,977	–	–	4,977	4,977
		168,866	43,834	32,851	245,551	244,119
Derivatives – Gross settlement						
Foreign exchange forward contracts						
– inflow	N/A	–	43,406	31,516	74,922	N/A
– outflow	N/A	–	(43,887)	(31,584)	(75,471)	N/A
		–	(481)	(68)	(549)	–

38. Financial Instruments (Continued)

(c) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- The fair value of held-for-trading financial assets with standard terms and condition and traded in active market are classified as level 1 measurement which are determined with reference to quoted market bid.

- The fair value of other financial assets at FVTPL is estimated using quoted prices in active markets for identical assets or liabilities (under level 2 of the three-level fair value hierarchy).

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

There were no transfer between Level 1 and 2 in both years.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

39. Related Party Transactions

(a) The relationships between the Group and its related parties are disclosed in Notes 19, 24(a) and 30(a).

(b) During the year, the Group entered into the following transactions with related parties:

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Purchase of goods and materials		
– Meixin	**24,633**	28,373
– Christine Hose	**4,840**	15,117
– Jiaguo	**–**	8,836
– Guangcan	**8,071**	9,111
– Aroma Coffee	**2,099**	4,147
– Yi Pin Xuan	**101,987**	100,260
– Wujiang Shangpu	**17,062**	9,981
– Marubeni Shanghai	**53,380**	45,900
– Tongcan	**734**	342
	212,806	222,067
Sales of materials		
– Yi Pin Xuan	**3,286**	3,611

39. Related Party Transactions (Continued)

(b) During the year, the Group entered into the following transactions with related parties: (Continued)

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Purchase of property, plant and equipment		
– Christine Hose	**6,372**	9,825
– Yi Pin Xuan	**105**	–
	6,477	9,825
Purchase of leasehold land		
– Christine Hose	**–**	13,784
Sales of property, plant and equipment		
– Yi Pin Xuan	**7,690**	–
Rental income from operating leases		
– Yi Pin Xuan	**1,080**	–

The Group entered into the above related party transactions upon the prices agreed with the counterparties.

(c) Key management compensation

The remuneration of directors of the Company and other members of key management of the Group during the year was as follows:

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Basic salaries, allowances and benefits	**2,346**	2,541
Post-employment benefit	**94**	57
	2,440	2,598

The remuneration of key management is determined having regard to the performance of individuals and market trends.

40. Subsidiaries

The followings are details of the Company's subsidiaries as at December 31, 2011 and 2010:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group At December 31, 2011	2010	Principal activity
Christine BVI*	British Virgin Islands ("BVI") March 11, 2008	Share capital US$1	**100%**	100%	Investment holding
泰昇國際集團有限公司 Deluxe International Holdings Limited	Hong Kong January 17, 2008	Share capital HK$1,001	**100%**	100%	Investment holding
上海克莉絲汀食品有限公司 Shanghai Christine	PRC as a wholly-owned foreign investment enterprise ("WOFE") January 19, 1993	Registered capital US$12,970,000	**100%**	100%	Producing and selling bakery products
上海吉元德食品有限公司 Shanghai Ji Yuan De	PRC as a domestic enterprise November 8, 1993	Registered capital RMB107,271,216	**100%**	100%	Producing and selling bakery products
上海克莉絲汀甜蜜藝術食品有限公司 Shanghai Sweet Art Foodstuff Co., Ltd.	PRC as a domestic enterprise June 6, 2006	Registered capital RMB5,000,000	**100%**	100%	Producing and selling bakery products
南京克莉絲汀食品有限公司 Nanjing Christine	PRC as a sino foreign equity joint venture enterprise July 18, 2002	Registered capital US$54,800,000	**100%**	100%	Producing and selling bakery products
上海雙紅麵包有限公司 Shuang Hong Bakery	PRC as a WOFE March 18, 1998	Registered capital RMB30,000,000	**100%**	100%	Producing and selling bakery products
杭州丹比食品有限公司 Hangzhou Danbi	PRC as a domestic enterprise May 19, 1998	Registered capital US$1,406,000	**100%**	100%	Producing and selling bakery products

40. Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group At December 31, 2011	2010	Principal activity
揚州克莉絲汀商貿有限公司 Yangzhou Christine Commerce and Trading Co., Ltd	PRC as a domestic enterprise April 27, 2009	Registered capital RMB4,000,000	100%	100%	Selling bakery products
上海莉絲餐飲有限公司 Shanghai Lisi Food & Beverage Co., Ltd.	PRC as a domestic enterprise January 12, 2010	Registered capital RMB100,000	100%	100%	Selling bakery products
上海可莉食品有限公司 Shanghai Keli Foodstuff Co., Ltd.	PRC as a domestic enterprise March 3, 2010	Registered capital RMB100,000	100%	100%	Selling bakery products

* Directly held by the Company

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

41. Event after the Reporting Period

(1) Pursuant to a pre-IPO share award scheme (the "Pre-IPO Share Award Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") approved on 27 December 2011, on 31 January 2012, Christine Princess Co. (PTC) Ltd. ("Christine Princess"), one of the shareholders of the Company as a private trust company for the holding of shares of the Company for the purpose of the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme, (i) transferred 6,375,000 shares of the Company to the eligible employees under the Pre-IPO Share Award Scheme; and (ii) conditionally granted options to subscribe for an aggregate of 17,003,200 shares of the Company to the eligible employees under the Pre-IPO Share Option Scheme.

(2) On 23 February 2012, the Company issued 250,000,000 ordinary shares of HK$0.00001 each at the price of HK$1.60 per share by way of placing and public offering. At the same date, the shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

On 16 March 2012, the Company issued 10,188,000 additional ordinary shares of HK$0.00001 each at the price of HK$1.60 per share upon partial exercise of the over-allotment option.

Financial Summary

	Year ended December 31,			
	2008	2009	2010	**2011**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Results				
Revenue	1,000,660	1,050,140	1,284,458	**1,384,351**
Profit before taxation	192,746	154,959	116,800	**129,997**
Income tax expense	(65,614)	(39,212)	(28,451)	**(34,176)**
Profit and total comprehensive income for the year	127,132	115,747	88,349	**95,821**
Attributable to:				
Owners of the Company	127,155	115,747	88,349	**95,821**
Non-controlling interest	(23)	–	–	**–**
	127,132	115,747	88,349	**95,821**

	As at December 31,			
	2008	2009	2010	**2011**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and liabilities				
Total Assets	1,252,068	1,578,932	1,646,466	**1,756,286**
Total Liabilities	615,072	883,905	906,563	**920,562**
	636,996	695,027	739,903	**835,724**
Equity attributable to owners of the Company	629,114	695,027	739,903	**835,724**
Non-controlling interest	7,882	–	–	**–**
	636,996	695,027	739,903	**835,724**

Note: The Company was incorporated in the Cayman Islands on 11 March 2008 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2008 have been prepared as if the current group structure had been in existence throughout the year, or since the respective dates of incorporation or establishment, where this is a shorter period.

The financial data of the Company for the year ended 31 December 2008, 2009 and 2010 and information as to its financial position as at 31 December 2008, 2009 and 2010 are extracted from the Company's prospectus dated 10 February 2012.

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