The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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February 10, 2012

The Directors
Christine International Holdings Limited
BNP Paribas Capital (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Christine International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2010 and the nine months ended September 30, 2011 (the "Track Record Period") for inclusion in the prospectus of the Company dated February 10, 2012 (the "prospectus") in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on March 11, 2008. Through a group reorganization (the "Reorganization") as more fully explained in the section headed "Our History and Reorganization – Our Reorganization" in this prospectus, the Company became the holding company of the Group on April 21, 2008.

As of the respective reporting period ends and the date of this report, the Company has the following subsidiaries:

			Attributable equity interest of the Group					
			At December 31,					
Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	2008	2009	2010	At September 30, 2011	At the date of this report	Principal activity
Christine International Holdings (BVI) Co., Ltd. ("Christine BVI")*	British Virgin Islands ("BVI") March 11, 2008	Share capital US$1	100%	100%	100%	100%	100%	Investment holding
泰昇國際集團有限公司 Deluxe International Holdings Limited ("Deluxe International")	Hong Kong January 17, 2008	Share capital HK$1,001	100%	100%	100%	100%	100%	Investment holding
上海克莉絲汀食品有限公司 Shanghai Christine Foodstuff Co., Ltd.$^{\Delta}$ ("Shanghai Christine")	The People's Republic of China ("PRC") January 19, 1993	Registered capital US$12,970,000	100%	100%	100%	100%	100%	Producing and selling bakery products

			Attributable equity interest of the Group					
Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	At December 31, 2008	At December 31, 2009	At December 31, 2010	At September 30, 2011	At the date of this report	Principal activity
上海吉元德食品有限公司 Shanghai Ji Yuan De Foodstuff Co., Ltd.[Δ] ("Shanghai Ji Yuan De")	PRC November 8, 1993	Registered capital RMB107,271,216	100% (Note a)	100%	100%	100%	100%	Producing and selling bakery products
上海克莉絲汀甜蜜藝術食品有限公司 Shanghai Christine Sweet Art Foodstuff Co., Ltd.[Δ] ("Shanghai Sweet Art")	PRC June 6, 2006	Registered capital RMB5,000,000	100%	100%	100%	100%	100%	Producing and selling bakery products
南京克莉絲汀食品有限公司 Nanjing Christine Foodstuff Co., Ltd. ("Nanjing Christine")	PRC July 18, 2002	Registered capital US$54,800,000	100%	100%	100%	100%	100%	Producing and selling bakery products
上海克莉絲汀食品工業有限公司 Shanghai Christine Foodstuff Industry Co., Ltd.[Δ] ("Shanghai Christine Industry")	PRC February 27, 2006	Registered capital US$12,800,000	73.83% (Note b)	N/A	N/A	N/A	N/A	Producing and selling bakery products
上海雙紅麵包有限公司 Shanghai Shuanghong Bakery Co., Ltd. ("Shuang Hong Bakery")	PRC March 18, 1998	Registered capital RMB30,000,000	100%	100%	100%	100%	100%	Producing and selling bakery products
杭州丹比食品有限公司 Hangzhou Danbi Food Co., Ltd. ("Hangzhou Danbi") (Note c)	PRC May 19, 1998	Registered capital USD1,406,000	N/A	100%	100%	100%	100%	Producing and selling bakery products
揚州克莉絲汀商貿有限公司 Yangzhou Christine Commerce and Trading Co., Ltd.[Δ] ("Yangzhou Christine")	PRC April 27, 2009	Registered capital RMB4,000,000	N/A	100%	100%	100%	100%	Selling bakery products
上海莉絲餐飲有限公司 Shanghai Lisi Food & Beverage Co., Ltd. [Δ] ("Shanghai Lisi")	PRC January 12, 2010	Registered capital RMB100,000	N/A	N/A	100%	100%	100%	Selling bakery products
上海可莉食品有限公司 Shanghai Keli Foodstuff Co., Ltd.[Δ] ("Shanghai Keli")	PRC March 3, 2010	Registered capital RMB100,000	N/A	N/A	100%	100%	100%	Selling bakery products

Notes:

* Directly held by the Company

Δ English name for identification only

(a) Shanghai Christine previously held 92% interest in Shanghai Ji Yuan De and acquired the remaining 8% interest on January 8, 2008. Accordingly, the Financial Information includes an 8% non-controlling interest in Shanghai Ji Yuan De from January 1, 2008 to January 7, 2008.

(b) Shanghai Christine previously held 1.17% direct interest in Shanghai Christine Industry and 66.85% indirect interest in Shanghai Christine Industry via Shanghai Ji Yuan De. Shanghai Christine acquired a further effective interest of 5.81% in Shanghai Christine Industry through acquiring the 8% non-controlling interest in Shanghai Ji Yuan De as stated in note (a) above. Accordingly, the Financial Information includes a 26.17% non-controlling interest in Shanghai Christine Industry until Shanghai Christine Industry was liquidated in June 2009.

(c) Shanghai Christine acquired 100% interest in Hangzhou Danbi on October 23, 2009 and Hangzhou Danbi has become an indirectly held subsidiary of the Company since then.

The statutory financial statements of Deluxe International were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by the following certified public accountants registered in Hong Kong or the PRC as appropriate:

Name of subsidiary	Financial period	Name of auditor
Deluxe International	From January 17, 2008 to December 31, 2008 and each of the two years ended December 31, 2010	Deloitte Touche Tohmatsu 德勤•關黃陳方會計師行
Shanghai Christine	Each of the three years ended December 31, 2010	Shanghai Shang Zi Certified Public Accountants Co., Ltd. 上海上咨會計師事務所
Shanghai Ji Yuan De	Each of the three years ended December 31, 2010	Shanghai Shang Zi Certified Public Accountants Co., Ltd. 上海上咨會計師事務所
Shanghai Sweet Art	Each of the three years ended December 31, 2010	Shanghai Shang Zi Certified Public Accountants Co., Ltd. 上海上咨會計師事務所
Nanjing Christine	Each of the three years ended December 31, 2010	Jiangsu Liangping Certified Public Accountants Co., Ltd. 江蘇量平會計師事務所有限公司
Shanghai Christine Industry	From January 1, 2008 to June 28, 2008	Shanghai Shang Zi Certified Public Accountants Co., Ltd. 上海上咨會計師事務所

Name of subsidiary	Financial period	Name of auditor
Shuang Hong Bakery	Each of the three years ended December 31, 2010	Shanghai Shang Zi Certified Public Accountants Co., Ltd. 上海上咨會計師事務所
Hangzhou Danbi	Each of the two years ended December 31, 2010	Hangzhou Dadi Certified Public Accountants Co., Ltd. 杭州大地會計師事務所有限公司
Yangzhou Christine	From April 27, 2009 to December 31, 2009 and the year ended December 31, 2010	Yangzhou Decheng Lianhe Certified Public Accountants Co., Ltd. 揚州德城聯合會計師事務所
Shanghai Lisi	From January 12, 2010 to December 31, 2010	Shanghai Shang Zi Certified Public Accountants Co., Ltd. 上海上咨會計師事務所
Shanghai Keli	From March 3, 2010 to December 31, 2010	Shanghai Shang Zi Certified Public Accountants Co., Ltd. 上海上咨會計師事務所

No audited financial statements have been prepared for the Company and Christine BVI since their incorporation as there is no requirement for statutory financial statements in the jurisdictions where they were incorporated.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA (the "Underlying Financial Statements").

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period has been prepared from the Underlying Financial Statements, on the basis set out in note 1 of Section E below. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issuance. They are also responsible for the contents of the prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation as set out in note 1 of Section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2008, 2009, 2010 and September 30, 2011 and of the consolidated results and cash flows of the Group for the Track Record Period.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the nine months ended September 30, 2010 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "September 30, 2010 Financial Information") which were prepared by the directors of Company solely for the purpose of this report. We have reviewed the September 30, 2010 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the September 30, 2010 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the September 30, 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the September 30, 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Nine months ended September 30,	
	NOTES	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
Revenue	5	1,000,660	1,050,140	1,284,458	894,789	986,456
Cost of sales		(436,726)	(483,651)	(636,182)	(420,632)	(469,203)
Gross profit		563,934	566,489	648,276	474,157	517,253
Other income and gains and losses	6	16,390	15,338	23,157	13,707	30,274
Other expenses	7	(3,711)	(1,080)	(1,896)	(589)	(7,076)
Share of loss of an associate	19	(469)	(282)	(345)	(200)	(30)
Distribution and selling expenses		(297,947)	(353,629)	(469,643)	(333,947)	(370,801)
Administrative expenses		(79,249)	(71,190)	(82,478)	(58,172)	(60,504)
Finance costs	8	(6,202)	(687)	(271)	(203)	(1,138)
Profit before taxation	9	192,746	154,959	116,800	94,753	107,978
Income tax expense	11	(65,614)	(39,212)	(28,451)	(24,686)	(27,944)
Profit and total comprehensive income for the year/period		127,132	115,747	88,349	70,067	80,034
Attributable to:						
Owners of the Company		127,155	115,747	88,349	70,067	80,034
Non-controlling interest		(23)	–	–	–	–
		127,132	115,747	88,349	70,067	80,034
Earnings per share – Basic (cents)	13	17.2	15.4	11.8	9.3	10.7

B. STATEMENTS OF FINANCIAL POSITION

		THE GROUP				THE COMPANY			
		At December 31,			At September 30, 2011	At December 31,			At September 30, 2011
	NOTES	2008 RMB'000	2009 RMB'000	2010 RMB'000	RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	RMB'000
Non-current assets									
Property, plant and equipment	14	675,321	703,569	733,846	700,063	–	–	–	–
Prepaid lease payments for land	15	36,519	36,445	53,861	52,882	–	–	–	–
Intangible assets	16	–	20,162	19,641	19,871	–	–	–	–
Rental deposit		7,800	7,891	8,738	9,658	–	–	–	–
Deposits for purchase of non-current assets	17	5,000	10,086	10,696	7,012	–	–	–	–
Goodwill	18	–	20,147	20,147	20,147	–	–	–	–
Investment in an associate	19	977	695	350	320	–	–	–	–
Deferred tax assets	20	2,937	6,493	8,465	7,153	–	–	–	–
		728,554	805,488	855,744	817,106	–	–	–	–
Current assets									
Inventories	22	17,369	20,960	26,217	43,070	–	–	–	–
Tax recoverables		–	5,548	15,760	16,566	–	–	–	–
Trade and other receivables	23	60,320	61,020	76,403	83,230	–	–	–	–
Amounts due from related companies	24	17,928	2,200	4,885	1,125	–	–	–	–
Amounts due from a director	25	–	4,976	1,313	–	–	–	–	–
Other financial assets	21	–	35,000	255,000	10,000	–	–	–	–
Pledged bank deposits	26	60,000	49,772	76,020	32,184	–	–	–	–
Bank balances and cash	26	367,897	593,968	335,124	960,562	–	–	–	–
		523,514	773,444	790,722	1,146,737	–	–	–	–

		THE GROUP				THE COMPANY			
		At December 31,			At September 30, 2011	At December 31,			At September 30, 2011
	NOTES	2008 RMB'000	2009 RMB'000	2010 RMB'000	RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	RMB'000
Current liabilities									
Trade and other payables	27	144,714	143,017	136,801	164,305	–	–	–	–
Deposit from customers	28	362,347	533,363	613,528	863,975	–	–	–	–
Amounts due to related companies	30	18,344	30,550	42,709	37,719	–	–	–	–
Amounts due to a director	25	199	–	–	–	–	–	–	–
Tax payables		9,863	4,951	6,399	13,579	–	–	–	–
Dividend payables		–	4,977	4,977	4,977	–	–	–	–
Borrowings	31	59,495	142,848	75,253	30,496	–	–	–	–
		594,962	859,706	879,667	1,115,051	–	–	–	–
Net current (liabilities) assets		(71,448)	(86,262)	(88,945)	31,686	–	–	–	–
Total assets less current liabilities		657,106	719,226	766,799	848,792	–	–	–	–
Non-current liabilities									
Deferred tax liabilities	20	20,110	24,199	21,993	24,238	–	–	–	–
Deferred income	32	–	–	4,903	4,617	–	–	–	–
		636,996	695,027	739,903	819,937	–	–	–	–
Capital and reserves									
Share capital	33	–	–	–	–	–	–	–	–
Reserves	34	629,114	695,027	739,903	819,937	–	–	–	–
Equity attributable to owners of the Company		629,114	695,027	739,903	819,937	–	–	–	–
Non-controlling interest		7,882	–	–	–	–	–	–	–
		636,996	695,027	739,903	819,937	–	–	–	–

As at December 31, 2008, 2009 and 2010 and September 30, 2011, the Company had issued 1 ordinary share with a par value of USD0.0001 and minimal assets on the statements of financial position.

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
		Reserves					
	Paid-in/ Share capital RMB'000	Special reserve RMB'000	Statutory surplus reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at January 1, 2008	133,637	72,025	39,803	226,288	471,753	22,676	494,429
Profit and total comprehensive income for the year	–	–	–	127,155	127,155	(23)	127,132
Capital injection in a subsidiary by then equity holder (i)	–	52,635	–	–	52,635	–	52,635
Acquisition of additional interest in a subsidiary (ii)	–	(22,429)	–	–	(22,429)	(14,771)	(37,200)
Arising on the Reorganization	(133,637)	133,637	–	–	–	–	–
Profit appropriation	–	–	14,731	(14,731)	–	–	–
Balance at December 31, 2008	–	235,868	54,534	338,712	629,114	7,882	636,996
Profit and total comprehensive income for the year	–	–	–	115,747	115,747	–	115,747
Dividends (Note 12)	–	–	–	(49,834)	(49,834)	–	(49,834)
Profit appropriation	–	–	17,777	(17,777)	–	–	
Liquidation of a subsidiary	–	–	–	–	–	(7,882)	(7,882)
Balance at December 31, 2009	–	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 (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 period	–	–	–	80,034	80,034	–	80,034
Balance at September 30, 2011	–	235,868	82,301	501,768	819,937	–	819,937
(Unaudited)							
Balance at January 1, 2010	–	235,868	72,311	386,848	695,027	–	695,027
Profit and total comprehensive income for the period	–	–	–	70,067	70,067	–	70,067
Dividends (Note 12)	–	–	–	(43,473)	(43,473)	–	(43,473)
Balance at September 30, 2010	–	235,868	72,311	413,442	721,621	–	721,621

(i) The amount of capital injection in a subsidiary represents the capital of Nanjing Christine injected on January 23, 2008 by Asia Christine International Holdings Co., Ltd. ("Asia Christine") through Shuang Hong International Holdings Co., Ltd. ("Shuang Hong International") (both Asia Christine and Shuang Hong International are beneficially owned by the ultimate individual shareholders) prior to the Reorganization.

(ii) Shanghai Christine acquired the remaining 8% interest in Shanghai Ji Yuan De on January 8, 2008.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Nine months ended September 30,	
	NOTE	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
OPERATING ACTIVITIES						
Profit before taxation		192,746	154,959	116,800	94,753	107,978
Adjustments for:						
Finance costs		6,202	687	271	203	1,138
Interest income		(6,475)	(6,467)	(6,624)	(5,420)	(10,040)
Loss on disposal of property, plant and equipment		208	317	590	626	327
(Reversal of) allowance for doubtful debts		(129)	(190)	479	479	363
Share of loss of an associate		469	282	345	200	30
Depreciation of property, plant and equipment		41,986	61,316	76,440	56,950	65,003
Amortisation of intangible assets		–	138	1,109	268	1,027
Amortisation of prepaid lease payment		470	514	947	712	979
Fair value adjustment for held for trading financial assets		2,825	–	–	–	–
Change in fair value of financial derivatives		–	(185)	266	266	815
Release of asset-related government grants		–	–	–	–	(286)
Exchange (gain) loss		(3,575)	196	195	360	(1,533)
Movements in working capital		234,727	211,567	190,818	149,397	165,801
(Increase) decrease in trade and other receivables		(3,805)	4,465	(15,408)	(21,786)	(7,190)
Increase in rental deposit		(199)	(91)	(847)	(915)	(920)
(Increase) decrease in amounts due from related companies		(17,928)	15,728	(2,685)	204	3,760
Increase in inventories		(6,847)	(2,942)	(5,257)	(21,750)	(16,853)
(Decrease) increase in trade and other payables		(31,008)	(12,872)	27,300	62,945	23,630
Increase in deposit from customers		95,036	140,211	80,165	263,444	250,447
Increase (decrease) in amounts due to related companies		25,639	12,206	12,159	15,090	(4,990)
Decrease in held for trading financial assets		4,358	–	–	–	–
Cash generated from operations		299,973	368,272	286,245	446,629	413,685
Income taxes paid		(51,319)	(45,901)	(41,393)	(18,833)	(18,013)
Net cash from operating activities		248,654	322,371	244,852	427,796	395,672

	NOTE	Year ended December 31, 2008 RMB'000	2009 RMB'000	2010 RMB'000	Nine months ended September 30, 2010 RMB'000 (unaudited)	2011 RMB'000
INVESTING ACTIVITIES						
Interest received		6,475	8,889	6,624	5,420	10,040
Government grant received related to non-current assets		–	–	4,903	4,903	–
Proceeds from disposal of property, plant and equipment		–	672	2,520	2,374	7,740
Proceeds from disposal of other financial assets		–	–	375,000	300,000	990,000
Acquisition of other financial assets		–	(35,000)	(595,000)	(296,000)	(745,000)
Purchase of intangible assets		–	(3,805)	(588)	–	(1,257)
Purchase of property, plant and equipment		(188,398)	(84,691)	(141,907)	(121,210)	(31,729)
Payments for prepaid lease payments		–	(449)	(18,817)	(2,060)	–
Acquisition of a subsidiary	35	–	(14,384)	–	–	–
Payments for pledged bank deposits		(60,000)	(49,772)	(76,020)	(43,836)	–
Proceeds from release of pledged bank deposits		–	60,000	49,772	49,772	43,836
Advance to a director		–	(4,976)	(1,313)	–	–
Repayment of advance to a director		–	–	4,976	3,660	1,313
Net cash (used in) from investing activities		(241,923)	(123,516)	(389,850)	(96,977)	274,943
FINANCING ACTIVITIES						
Capital injection by then equity holders		52,635	–	–	–	–
Dividends paid to non-controlling equity holder of a subsidiary		(2,895)	–	–	–	–
Dividends paid to owner of the Company		(64,208)	(44,857)	(43,473)	–	–
Proceeds from borrowings		113,070	142,848	75,253	–	–
Repayment of borrowings		(50,000)	(59,691)	(143,043)	(85,826)	(43,224)
Inflow of gross settlement of financial derivatives		–	59,507	49,819	49,819	43,072
Outflow of gross settlement of financial derivatives		–	(59,322)	(50,085)	(50,085)	(43,887)
Interest paid		(3,701)	(3,188)	(2,317)	(2,249)	(1,138)
Repayment to non-controlling equity holder of a subsidiary		–	(7,882)	–	–	–
Loan from a director		199	–	–	–	–
Repayment of loan from a director		–	(199)	–	–	–
Payment for acquisition of additional interest in a subsidiary		(37,200)	–	–	–	–
Net cash from (used in) financing activities		7,900	27,216	(113,846)	(88,341)	(45,177)
Net increase (decrease) in cash and cash equivalents		14,631	226,071	(258,844)	242,478	625,438
Cash and cash equivalents at beginning of the year/period		353,266	367,897	593,968	593,968	335,124
Cash and cash equivalents (comprising bank balances and cash) at end of the year/period		367,897	593,968	335,124	836,446	960,562

E. NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 11, 2008. Its immediate parent is Asia Christine which was incorporated in Samoa. The addresses of the registered office and principal place of business of the Company are stated in the section headed "Corporate Information" in this prospectus. The Company is an investment holding company. Its subsidiaries established in the PRC are primarily engaged in the production and sale of bakery products.

Shanghai Christine was established in the PRC in 1993 by the ultimate individual shareholders of the Company. On March 15, 2007, Asia Christine, wholly owned by the ultimate individual shareholders, acquired 100% equity interest in Shanghai Christine and became the holding company of Shanghai Christine.

In preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"), the Company underwent the Reorganization as follows:

(1) Pursuant to a share transfer agreement dated December 22, 2007, Asia Christine acquired 100% equity interest in Shuang Hong Bakery and the remaining 46.25% equity interest in Nanjing Christine through acquiring 100% equity interest in Shuang Hong International;

(2) Pursuant to a share transfer agreement dated March 11, 2008, Asia Christine transferred its 100% equity interest in Deluxe International to Christine BVI, its wholly owned subsidiary;

(3) Pursuant to a share transfer agreement dated March 12, 2008, Asia Christine transferred its 100% equity interest in Christine BVI to the Company, and the Company became the holding company of Christine BVI;

(4) On March 4, 2008, Asia Christine entered into an equity transfer agreement with Deluxe International, its wholly owned subsidiary, to transfer its 100% equity interest in Shanghai Christine to Deluxe International. The transaction was completed on April 14, 2008;

(5) On March 4, 2008, Shuang Hong International entered into an equity transfer agreement with Deluxe International to transfer its 100% equity interest in Shuang Hong Bakery and 46.75% equity interest in Nanjing Christine to Deluxe International. The transaction was completed on April 21, 2008.

The Group resulting from the Reorganization is regarded as a continuing entity as if the Company had always been the holding company of the Group throughout the Track Record Period. 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 December 31, 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 Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and Interpretations issued by the HKICPA (hereinafter collectively referred to as "new HKFRSs"), which are effective for accounting periods beginning on January 1, 2011 throughout the Track Record Period.

At the date of this report, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[2]
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]

[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 a lot of judgement.

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 Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes 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 Financial Information has 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 Financial Information incorporates 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured as revaluated amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings.) The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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.

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.

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.

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.

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.

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, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

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.

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, 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.

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, amount due to a director, 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.

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.

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, 2008, 2009 and 2010 and September 30, 2011, deferred tax assets of RMB2,937,000, RMB6,493,000, RMB8,465,000 and RMB7,153,000 respectively in relation to the impairment loss of property, plant and equipment and trade receivables and temporary differences of deductible expenses 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, 2008, 2009 and 2010 and September 30, 2011, the carrying amount of goodwill was approximately RMB nil, RMB20 million, RMB20 million and RMB20 million respectively 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. During the Track Record Period, 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

Since 2011, the Group has started to manage its businesses by segments which are organized by the types of products. In order to present the segment information in a consistent manner, the segment information for the Track Record Period and the nine months ended September 30, 2010 is presented using the same rationale adopted in the internal management report developed in 2011, and is consistent with the way in which information is reported to the Board of Directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance based 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				
	Year ended December 31,			Nine months ended September 30,		Year ended December 31,			Nine months ended September 30,	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
Bread and cakes	702,921	715,371	889,265	579,204	643,576	395,564	355,381	394,479	259,079	277,574
Moon cakes	175,409	203,179	180,980	178,705	182,490	120,622	150,494	132,489	130,385	138,616
Pastries	105,674	91,341	155,442	98,621	118,543	45,500	41,244	86,841	60,579	73,107
Others	16,656	40,249	58,771	38,259	41,847	2,248	19,370	34,467	24,114	27,956
	1,000,660	1,050,140	1,284,458	894,789	986,456	563,934	566,489	648,276	474,157	517,253
Unallocated other income and gains and losses						16,390	15,338	23,157	13,707	30,274
Unallocated other expenses						(3,711)	(1,080)	(1,896)	(589)	(7,076)
Unallocated share of loss of an associate						(469)	(282)	(345)	(200)	(30)
Unallocated expenses						(377,196)	(424,819)	(552,121)	(392,119)	(431,305)
Unallocated finance costs						(6,202)	(687)	(271)	(203)	(1,138)
Profit before taxation						192,746	154,959	116,800	94,753	107,978
Income tax expense						(65,614)	(39,212)	(28,451)	(24,686)	(27,944)
Profit for the year/period						127,132	115,747	88,349	70,067	80,034

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the Track Record Period.

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 loss of an associate, finance costs and income tax expense.

Segment assets and liabilities

The Board of Directors does 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 during the Track Record Period.

6. OTHER INCOME AND GAINS AND LOSSES

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
Interest income	6,475	6,467	6,624	5,420	10,040
Government grants (Note a)	–	812	8,138	7,774	7,399
Release of asset-related government grants	–	–	–	–	286
Gain on expired unpresented coupons (Note b)	6,427	5,337	6,972	311	8,686
Loss on disposal of property, plant and equipment	(208)	(317)	(590)	(626)	(327)
Exchange gains (losses)	3,575	(196)	(195)	360	1,533
Change in fair value of financial derivatives	–	185	(266)	(266)	(815)
Fair value adjustment for held for trading financial assets	(2,825)	–	–	–	–
Gain on disposal of scrap and other materials	823	2,044	1,588	640	2,516
Others	2,123	1,006	886	94	956
	16,390	15,338	23,157	13,707	30,274

Notes:

(a) The amounts primarily represented incentives received from local authorities by the group entities located in the PRC for eminent contribution of tax payment 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

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
Donation	1,867	1,000	1,001	–	–
Listing expenses	–	–	–	–	6,331
Others	1,844	80	895	589	745
	3,711	1,080	1,896	589	7,076

8. FINANCE COSTS

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
Interest on bank borrowings					
– wholly repayable within five years	6,202	687	2,317	2,249	1,138
Less: amount capitalized (Note)	–	–	(2,046)	(2,046)	–
	6,202	687	271	203	1,138

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):

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
Directors' remuneration	600	600	700	520	540
Contribution to retirement benefits schemes	15,686	19,174	23,971	19,606	21,287
Other staff costs	135,495	133,717	210,494	156,756	186,578
	151,781	153,491	235,165	176,882	208,405
Depreciation of property, plant and equipment	41,986	61,316	76,440	56,950	65,003
Amortization of intangible assets	–	138	1,109	791	1,027
Loss on disposal of property, plant and equipment	208	317	590	626	327
Operating lease rentals in respect of					
– land use rights	470	514	947	712	979
– rented retail outlets	91,468	101,932	130,700	97,071	108,164
Auditor's remuneration	129	445	519	145	379
Cost of inventories recognised as expenses	436,726	483,651	636,182	420,632	469,203
(Reversal of) allowance for doubtful debts	(129)	(190)	479	479	363

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Director's emoluments

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 **RMB'000**	**2009** **RMB'000**	**2010** **RMB'000**	**2010** **RMB'000** **(unaudited)**	**2011** **RMB'000**
Executive directors – salaries and other benefits					
Tien-An Lo	600	600	700	520	540
Chi-Ming Chou	–	–	–	–	–
Dun-Ching Hung	–	–	–	–	–
Non-executive director					
Yoshiaki Mizumoto	–	–	–	–	–
	600	600	700	520	540

No fees, retirement benefits or other emoluments have been paid to the directors during the Track Record Period.

During the Track Record Period, 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 Track Record Period.

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 during the Track Record Period.

(b) Five highest paid individuals

The five highest paid individuals included one director during the Track Record Period and the nine months ended September 30, 2010, details of whose emoluments are set out above. The emoluments of the remaining four highest paid individuals during the Track Record Period and the nine months ended September 30, 2010 are as follows:

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 **RMB'000**	**2009** **RMB'000**	**2010** **RMB'000**	**2010** **RMB'000** **(unaudited)**	**2011** **RMB'000**
Salaries and other benefits	1,236	1,277	1,373	1,030	1,034
Contribution to retirement benefits schemes	–	–	–	–	–
Discretionary and performance related incentive payments	–	–	–	–	–

The emoluments of each of the five highest paid individuals for the Track Record Period were less than HKD1,000,000.

11. INCOME TAX EXPENSES

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
PRC enterprise income tax ("EIT")	45,040	41,788	29,973	22,839	24,318
Under provision in respect of prior years	91	1,015	656	656	69
Withholding tax paid/payable during the year/period	–	–	2,000	2,000	–
Deferred tax (Note 20)	20,483	(3,591)	(4,178)	(809)	3,557
Total tax expense	65,614	39,212	28,451	24,686	27,944

The Company and 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.

Nanjing Christine was entitled to the two-year exemption and three-year half deduction starting from 2008.

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 three years ended December 31, 2010.

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.

Each PRC subsidiary's EIT during the Track Record Period was calculated at the rates stated below:

	2008	2009	2010	2011
Shanghai Christine	25%	25%	25%	25%
Shanghai Ji Yuan De	18%	20%	22%	24%
Shanghai Sweet Art	25%	25%	25%	25%
Nanjing Christine	–	–	12.5%	12.5%
Shanghai Christine Industry	25%	N/A	N/A	N/A
Shuang Hong Bakery	12.5%	12.5%	12.5%	25%
Hangzhou Danbi	N/A	25%	25%	25%
Yangzhou Christine	N/A	25%	25%	25%
Shanghai Lisi	N/A	N/A	25%	25%
Shanghai Keli	N/A	N/A	25%	25%

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

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 **RMB'000**	**2009** **RMB'000**	**2010** **RMB'000**	**2010** **RMB'000** **(unaudited)**	**2011** **RMB'000**
Profit before tax	192,746	154,959	116,800	94,753	107,978
Income tax expense calculated at applicable tax rate (Note)	48,186	38,740	29,200	23,688	26,995
Effect of expenses that are not deductible in determining taxable profit	476	3,119	2,889	811	929
Under provision in respect of prior years	91	1,015	656	656	69
Share of loss of an associate	117	70	86	50	7
Effect of unrecognised tax losses and deductible temporary differences	3,526	2,143	1,234	1,877	1,383
Effect of concessionary income tax rates of PRC subsidiaries	(6,892)	(5,875)	(5,614)	(2,396)	(2,381)
Utilisation of tax losses and deductible temporary differences previously not recognised	–	–	–	–	(1,457)
Effect of withholding income tax arising from undistributed profits of PRC subsidiaries	20,110	–	–	–	2,399
Income tax expense recognised in profit or loss	65,614	39,212	28,451	24,686	27,944

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

12. DIVIDENDS

During the Track Record Period, the Company have declared and distributed dividends to its shareholders as follows:

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 **RMB'000**	**2009** **RMB'000**	**2010** **RMB'000**	**2010** **RMB'000** **(unaudited)**	**2011** **RMB'000**
Dividends recognised as distributions	–	49,834	43,473	43,473	–

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 this report.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company in the Track Record Period and the weighted average of 740,395,857, 750,000,000 and 750,000,000 shares for each of the three years ended December 31, 2010 respectively and 750,000,000 and 750,000,000 shares for the nine months ended September 30, 2010 and 2011 respectively. The weighted average number of shares for the purpose of calculating basic earnings per share for the Track Record Period 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 section headed "Statutory and general information" of Appendix VI to the Prospectus had been effective on January 1, 2008.

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Fixtures and office equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost							
At January 1, 2008	60,512	184,065	90,456	14,121	50,854	188,876	588,884
Additions	10,642	3,693	8,986	3,062	12,751	233,764	272,898
Transfer	232	114,284	224,239	733	5	(339,493)	–
Disposals	(519)	–	(1,686)	(298)	(1,550)	–	(4,053)
At December 31, 2008	70,867	302,042	321,995	17,618	62,060	83,147	857,729
Additions	11,794	9,936	4,352	3,304	12,378	38,940	80,704
Transfer	–	1,012	992	–	7,198	(9,202)	–
Disposals	(1,130)	–	(1,132)	(2,861)	(1,740)	–	(6,863)
Additions from acquisition of a subsidiary (Note 35)	2,566	2,721	110	974	3,400	78	9,849
At December 31, 2009	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	14,252	542	7,414	1,417	7,343	8,319	39,287
Transfer	15,058	5,664	3,598	–	1,811	(26,131)	–
Disposals	(1,296)	–	(10,861)	(946)	(1,483)	–	(14,586)
As September 30, 2011	127,528	363,494	394,072	20,526	114,965	42,189	1,062,774
Accumulated depreciation and impairment							
At January 1, 2008	43,082	21,593	48,658	6,717	24,217	–	144,267
Depreciation for the year	13,563	7,728	11,296	1,808	7,591	–	41,986
Disposals	(519)	–	(1,767)	(198)	(1,361)	–	(3,845)
At December 31, 2008	56,126	29,321	58,187	8,327	30,447	–	182,408
Depreciation for the year	10,704	13,463	22,820	2,407	11,922	–	61,316
Disposals	(1,130)	–	(769)	(2,640)	(1,335)	–	(5,874)
At December 31, 2009	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 period	14,342	11,002	26,196	2,050	11,413	–	65,003
Disposals	(1,296)	–	(3,090)	(831)	(1,302)	–	(6,519)
At September 30, 2011	91,051	68,187	127,225	11,035	65,213	–	362,711
Net book value							
At December 31, 2008	14,741	272,721	263,808	9,291	31,613	83,147	675,321
At December 31, 2009	18,397	272,927	246,079	10,941	42,262	112,963	703,569
At December 31, 2010	21,509	300,103	289,802	10,239	52,192	60,001	733,846
At September 30, 2011	36,477	295,307	266,847	9,491	49,752	42,189	700,063

The Group has not obtained the title certificates for the buildings located in the PRC with carrying amounts of RMB Nil, RMB2,628,000, RMB2,489,000 and RMB2,455,000 as at December 31, 2008, 2009, 2010 and September 30, 2011 respectively.

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 medium-term leases.

15. PREPAID LEASE PAYMENTS FOR LAND

Group

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
CARRYING AMOUNT				
At January 1,	37,832	37,362	37,297	55,167
Additions	–	449	18,817	–
Charged for the year/period	(470)	(514)	(947)	(979)
At the end of the year/period	37,362	37,297	55,167	54,188
Less: Current portion to be charged to next year included in trade and other receivables	843	852	1,306	1,306
Non-current portion	36,519	36,445	53,861	52,882

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

16. INTANGIBLE ASSETS

	Software RMB'000	Trademark RMB'000	Sales Network RMB'000	Total RMB'000
COST				
At January 1, 2008 and 2009	–	–	–	–
Additions	3,805	–	–	3,805
Additions from acquisitions of a subsidiary (Note 35)	–	10,635	5,860	16,495
At December 31, 2009	3,805	10,635	5,860	20,300
Additions	588	–	–	588
At December 31, 2010	4,393	10,635	5,860	20,888
Additions	1,257	–	–	1,257
At September 30, 2011	5,650	10,635	5,860	22,145
AMORTISATION				
At January 1, 2008 and 2009	–	–	–	–
Charge for the year	–	89	49	138
At December 31, 2009	–	89	49	138
Charge for the year	284	532	293	1,109
At December 31, 2010	284	621	342	1,247
Charge for the period	409	398	220	1,027
At September 30, 2011	693	1,019	562	2,274
CARRYING VALUES				
At December 31, 2008	–	–	–	–
At December 31, 2009	3,805	10,546	5,811	20,162
At December 31, 2010	4,109	10,014	5,518	19,641
At September 30, 2011	4,957	9,616	5,298	19,871

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

Group

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Deposits for purchase in respect of				
– Land use rights	5,000	5,000	5,000	5,000
– Property, plant and equipment	–	5,086	5,696	2,012
	5,000	10,086	10,696	7,012

18. GOODWILL

Group

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1,	–	–	20,147	20,147
Additions	–	20,147	–	–
At the end of the year/period	–	20,147	20,147	20,147

The additions during the year ended December 31, 2009 arose from the acquisition of 100% interest in Hangzhou Danbi (Note 35), the cash generating unit (the "CGU").

As at December 31, 2009 and 2010 and September 30, 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%. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 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

Group

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investment in an associate	1,916	1,916	1,916	1,916
Share of post-acquisition losses, net of dividends received	(939)	(1,221)	(1,566)	(1,596)
	977	695	350	320

As at December 31, 2008, 2009 and 2010 and September 30, 2011, 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
Shanghai Aroma Coffee Product Co., Ltd. ("Aroma Coffee")	PRC December 29, 2006	Registered capital JPY120,000,000	25%	Producing and selling coffee products

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

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Total assets	5,905	7,121	7,322	7,706
Total liabilities	(1,964)	(4,306)	(5,887)	(6,391)
Net assets	3,941	2,815	1,435	1,315
Group's share of net assets of the associate	977	695	350	320
Revenue for the year/period	3,012	3,863	4,853	8,066
Losses for the year/period	(1,877)	(1,126)	(1,380)	(119)
Group's share of losses of associate for the year/period	(469)	(282)	(345)	(30)

20. DEFERRED TAXATION

The following are the major deferred taxation liabilities and assets recognised and movements thereon during the Track Record Period:

Group

			Impairment loss recognised in respect of				
	Withholding tax on undistributed profits RMB'000	Revaluation of intangible assets RMB'000	Trade receivables RMB'000	Property, plant and equipment RMB'000	Temporary differences of deductible expenses (Note) RMB'000	Fair value changes of held for trading financial assets RMB'000	Total RMB'000
At January 1, 2008	–	–	100	3,805	–	(595)	3,310
(Charge) credit to consolidated statement of comprehensive income for the year	(20,110)	–	(87)	(881)	–	595	(20,483)
At December 31, 2008	(20,110)	–	13	2,924	–	–	(17,173)
Additions from acquisition of a subsidiary (Note 35)	–	(4,124)	–	–	–	–	(4,124)
(Charge) credit to consolidated statement of comprehensive income for the year	–	35	(13)	(637)	4,206	–	3,591
At December 31, 2009	(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 period	(2,399)	154	224	(326)	(1,210)	–	(3,557)
At September 30, 2011	(20,509)	(3,729)	224	1,328	5,601	–	(17,085)

Note: The temporary differences primarily represented payroll accruals.

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

Group

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Deferred tax assets	2,937	6,493	8,465	7,153
Deferred tax liabilities	(20,110)	(24,199)	(21,993)	(24,238)
	(17,173)	(17,706)	(13,528)	(17,085)

The Group has unutilized tax losses of RMB11,026,000, RMB17,659,000, RMB17,361,000 and RMB8,630,000 as at December 31, 2008, 2009 and 2010 and September 30, 2011 respectively 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 2015.

The Group has deductible temporary differences of RMB6,422,000, RMB8,418,000, RMB14,475,000 and RMB17,079,000 in respect of depreciation of plant and equipment as at December 31, 2008, 2009 and 2010 and September 30, 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 the Financial Information in respect of the temporary differences attributable to the retained profits of the PRC subsidiaries amounting to approximately RMB nil, RMB103,295,000, RMB182,944,000 and RMB245,318,000 as at December 31, 2008, 2009 and 2010 and September 30, 2011 respectively 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

Group

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Fixed-rate deposits	–	35,000	255,000	10,000
Analysed as				
Current	–	35,000	255,000	10,000

Other financial assets represented the structured deposits carrying fixed interest rates of 3.03%, 3-3.50% and 5% per annum at December 31, 2009, 2010 and September 30, 2011, respectively and maturity periods ranging from 85-100 days.

22. INVENTORIES

Group

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Raw materials	12,437	12,372	16,110	26,839
Finished goods	4,932	8,588	10,107	16,231
	17,369	20,960	26,217	43,070

23. TRADE AND OTHER RECEIVABLES

Group

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	16,297	23,848	27,580	31,246
Less: Allowance for doubtful debts	(242)	(52)	(531)	(894)
	16,055	23,796	27,049	30,352
Advance to suppliers	4,174	3,894	5,767	5,132
Prepaid lease payments for land and retail outlets	24,466	28,328	36,371	38,605
Prepaid expenses	6,682	–	–	2,110
Other receivables	6,521	5,002	7,216	7,031
Interest receivables	2,422	–	–	–
	60,320	61,020	76,403	83,230

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:

Group

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Age				
0 to 30 days	13,961	15,168	20,332	20,592
31 to 60 days	2	404	–	5,386
61 to 90 days	1,605	6,957	5,287	3,076
91 to 180 days	–	432	1,056	1,294
Over 180 days	487	835	374	4
	16,055	23,796	27,049	30,352

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.

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 RMB2.1 million, RMB8.2 million, RMB6.7 million and RMB4.4 million as at December 31, 2008, 2009 and 2010 and September 30, 2011 respectively, 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:

Group

	At December 31, 2008 RMB'000	At December 31, 2009 RMB'000	At December 31, 2010 RMB'000	At September 30, 2011 RMB'000
Age				
61 to 90 days	1,605	6,957	5,287	3,076
91 to 180 days	–	432	1,056	1,294
Over 180 days	487	835	374	4
	2,092	8,224	6,717	4,374

Movement in the allowance for doubtful debts:

Group

	At December 31, 2008 RMB'000	At December 31, 2009 RMB'000	At December 31, 2010 RMB'000	At September 30, 2011 RMB'000
Beginning of the year/period	371	242	52	531
(Reversal of) allowance charged to consolidated statements of comprehensive income	(129)	(190)	479	363
End of the year/period	242	52	531	894

24. AMOUNTS DUE FROM RELATED COMPANIES

(a) 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 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 each reporting period, the Group has outstanding balances with the related parties as follows:

Group

	Balance				Maximum amount outstanding during			
	At December 31,			At September 30,	Year ended December 31,			Nine months ended September 30,
	2008 RMB	2009 RMB	2010 RMB	2011 RMB	2008 RMB	2009 RMB	2010 RMB	2011 RMB
Christine Hose	137	153	3,820	–	137	153	3,820	3,820
Yi Pin Xuan	17,791	2,047	1,065	1,084	19,150	17,791	3,190	3,190
Aroma Coffee	–	–	–	41	–	–	–	1,624
	17,928	2,200	4,885	1,125	19,287	17,944	7,010	8,634

The balance with Yi Pin Xuan as at December 31, 2008, the balance with Christine Hose as at December 31, 2010 and the balance with Aroma as at September 30, 2011 were trade-related advances for the purchase of goods and materials.

The balances with Yi Pin Xuan as at December 31, 2009 and 2010 and September 30, 2011 were trade-related receivables for sales of materials with a credit period of 30 days.

All other balances were non-trade, unsecured, interest free and repayable on demand.

25. AMOUNTS DUE FROM/(TO) A DIRECTOR

Amounts due from/(to) a director represent amounts paid/received on behalf of a director. The amounts are interest free and without fixed repayment terms.

The maximum amount outstanding due from a director is RMB nil, RMB4,976,000 and RMB4,976,000 and RMB1,313,000 during each of the three years ended December 31, 2010 and the nine months ended September 30, 2011 respectively.

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.

The pledged bank deposits of the Group carry interest at rates of 4.14%, 2.25%, 1.66-3.36%, 1.98% per annum at December 31, 2008, 2009 and 2010 and September 30, 2011 respectively. The bank deposits have been pledged to secure short-term bank borrowings and such pledges will be released upon the settlement of the relevant bank borrowings.

Bank balances and cash of the Group carry interest at market rates ranging from 0.36% to 1.71%, 0.36% to 1.71%, 0.36% to 1.71%, 0.40% to 1.49% per annum at December 31, 2008, 2009 and 2010 and September 30, 2011 respectively.

27. TRADE AND OTHER PAYABLES

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	50,347	55,348	71,212	85,693
Payroll and welfare payable	17,328	21,973	32,830	24,586
Other tax payable	10,181	6,576	4,328	12,285
Pension payable	966	1,250	1,520	1,976
Other payables and accruals	20,896	12,576	15,133	24,113
Payables for acquisition of property, plant and equipments	44,996	45,294	11,778	15,652
	144,714	143,017	136,801	164,305

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 each reporting period:

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Age				
0 to 45 days	41,150	43,789	44,206	70,499
46 to 60 days	7,362	10,382	17,229	10,532
61 to 90 days	360	183	1,518	2,410
91 to 180 days	764	288	1,906	179
Over 180 days	711	706	6,353	2,073
	50,347	55,348	71,212	85,693

28. DEPOSIT FROM CUSTOMERS

Among the deposit from customers, there were approximately RMB360,829,000, RMB532,192,000, RMB609,942,000 and RMB861,946,000 of coupon (including paper coupon and pre-paid card) liabilities as at December 31, 2008, 2009 and 2010 and September 30, 2011 respectively, which represented the remaining 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 as at December 31, 2008, 2009 and 2010 and September 30, 2011 primarily represented the prepayment received from corporates for bulk purchases and deposits from individuals for made-to-order products.

29. FOREIGN EXCHANGE FORWARD CONTRACTS

At the end of each reporting period, the Group had entered into the following foreign exchange forward contracts to mitigate its foreign currency exposure related to its USD denominated bank borrowings:

December 31, 2008

Notional amount	Maturity	Exchange rates
Buy USD8,705,000	January 19, 2009	US$1:RMB6.8147

December 31, 2009

Notional amount	Maturity	Exchange rates
Buy USD6,570,000	June 15, 2010	US$1:RMB6.8610
Buy USD730,000	June 30, 2010	US$1:RMB6.8580

December 31, 2010

Notional amount	Maturity	Exchange rates
Buy USD6,564,000	March 28, 2011	US$1:RMB6.6860
Buy USD4,799,000	November 28, 2011	US$1:RMB6.5816

September 30, 2011

Notional amount	Maturity	Exchange rates
Buy USD4,799,000	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 at the end of each reporting period.

30. AMOUNTS DUE TO RELATED COMPANIES

(a) In addition to those disclosed in Note 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 Food Packaging Co., Ltd. ("Wujiang Shangpu")	A company in which Mr. Chi-Ming Chou has substantial interest
Tongcan Trade Ltd. ("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

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

Group

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Meixin	3,432	6,640	4,819	5,262
Christine Hose	903	2,059	2,931	396
Jiaguo	2,177	2,424	2,161	29
Guangcan	602	610	479	4,914
Aroma Coffee	13	174	223	–
Yi Pin Xuan	–	6,235	19,652	8,817
Wujiang Shangpu	–	–	339	7,310
Marubeni Shanghai	11,217	12,408	12,053	10,728
Tongcan	–	–	52	263
	18,344	30,550	42,709	37,719

The amounts 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.

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Age				
0 to 45 days	11,825	28,637	36,253	32,769
46 to 60 days	6,511	1,889	5,754	4,752
61 to 90 days	–	–	–	54
91 to 180 days	–	–	665	–
Over 180 days	8	24	37	144
Total	18,344	30,550	42,709	37,719

31. BORROWINGS

Group

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank loans	59,495	49,848	75,253	30,496
Unsecured bank loans	–	93,000	–	–
	59,495	142,848	75,253	30,496

The principal of secured bank loans was USD8,705,000, USD7,300,000, USD11,363,000 and USD4,799,000 with fixed interest rates of 4.32%, 1.40%-1.49%, 1.66%-3.37% and 3.37% per annum as at December 31, 2008, 2009, 2010 and September 30, 2011 respectively. The bank loans were secured by pledged deposits amounted to RMB60,000,000, RMB49,683,000, RMB75,692,000 and RMB31,871,000 respectively at the end of each reporting period.

The principal of unsecured bank loans as at December 31, 2009 was RMB93,000,000 with fixed interest rates at 4.86%-5.13% per annum.

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 losses arising from the dismantlement and relocation of the plant. Approximately RMB1,342,000 of the subsidy that relates to the suspension of operation and decoration cost of the old plant was recognised in profit or loss in 2010. The remaining RMB4,903,000 has been deferred and will be recognized in profits or loss over the useful lives of the relevant assets. Approximately RMB286,000 has been released to profit and loss in the nine months ended September 30, 2011.

33. SHARE CAPITAL

The Company's authorised share capital is 500,000,000 shares of USD0.0001 each. As at December 31, 2008, 2009, 2010 and September 30, 2011, one share has been issued and fully paid up.

34. RESERVES

The Company

The movement in the reserves of the Company was as follows:

	Retained earnings RMB'000
At incorporation	–
Addition upon the Reorganization	–
At December 31, 2008	–
Profit for the year	49,834
Dividend recognised as distribution	(49,834)
At December 31, 2009	–
Profit for the year	43,473
Dividend recognised as distribution	(43,473)
At December 31, 2010 and September 30, 2011	–

35. ACQUISITION OF A SUBSIDIARY

On October 23, 2009, Shanghai Christine acquired 100% equity interest in Hangzhou Danbi from an independent third party for a consideration of USD4,500,000 (equivalent to RMB30,742,000). The acquisition has been accounted for using the acquisition method. The net assets acquired in the transaction are as follows:

	Carrying Amount RMB'000	Fair Value Adjustment RMB'000	Fair Value RMB'000
Property, plant and equipment	9,849	–	9,849
Intangible assets	–	16,495	16,495
Inventories	649	–	649
Trade and other receivables	7,388	–	7,388
Taxation recoverables	7,363	–	7,363
Bank balances and cash	16,358	–	16,358
Trade and other payables	(12,578)	–	(12,578)
Deposit from customers	(30,805)	–	(30,805)
Deferred tax liabilities	–	(4,124)	(4,124)
	(1,776)	12,371	10,595
Goodwill arising on acquisition			20,147
Satisfied by:			
Cash consideration			30,742
Net cash outflow for acquisition of a subsidiary:			
Cash consideration			(30,742)
Cash and bank balances acquired			16,358
			(14,384)

Hangzhou Danbi contributed RMB15,362,000 and RMB435,000 to the Group's revenue and profit respectively for the period between the date of acquisition and December 31, 2009.

36. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Group

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Minimum lease payments made in respect of rented retail outlets under operating leases during the year/period:	91,225	101,576	129,789	107,881
Contingent rentals	243	356	911	283
	91,468	101,932	130,700	108,164

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 each 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:

Group

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Within one year	74,894	92,575	123,536	131,736
In the second to fifth year inclusive	126,275	153,392	195,586	184,239
After five years	11,393	10,929	26,376	36,375
	212,562	256,896	345,498	352,350

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 possible to estimate in advance the amount of such contingent rent payable.

37. COMMITMENTS AND CONTINGENCIES

Group

	At December 31,			At September 30,
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of property, plant and equipment	31,345	19,005	2,464	5,729
	31,345	19,005	2,464	5,729

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

38. 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, 2008, 2009 and 2010 and September 30, 2011, the outstanding payable for retirement benefit scheme contributions amounted to RMB966,000, RMB1,250,000, RMB1,520,000 and RMB1,976,000 respectively.

39. 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 throughout the Track Record Period. 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.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

Group

	At December 31,			At September 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	458,410	722,604	711,525	1,050,864
Financial liabilities				
Amortised cost (Note)	201,425	308,127	244,119	207,999

Note: Exclusive of accruals and other tax payables.

Financial risk management objectives

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 (to) 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.

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 loans 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, 2008, 2009, 2010 and September 30, 2011, the Group has external bank borrowings denominated in a foreign currency as set out in Note 31 which expose the Group to foreign currency risk. The Group has 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.

No sensitivity analysis has been presented as the directors of the Company consider that the foreign exchange risk exposure of the Group is minimal.

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 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.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

With respect to credit risk arising from the other financial assets, bank balances and pledged bank deposits 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.

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.

The Group had net current liabilities of RMB71 million, RMB86 million and RMB89 million as at December 31, 2008, 2009 and 2010 respectively, included among which were non-refundable coupon liabilities of RMB361 million, RMB532 million and RMB610 million as at December 31, 2008, 2009 and 2010 respectively. The Financial Information has been prepared on a going concern basis because the directors believe that the Group has sufficient funds to finance its current working capital requirements taking into account the cash flows from operations.

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 each 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.

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 consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Group

	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 un-discounted cash flows RMB'000	Carrying amount RMB'000
December 31, 2008						
Non-derivative financial liabilities						
Trade and other payables	N/A	123,387	–	–	123,387	123,387
Amounts due to related companies	N/A	18,344	–	–	18,344	18,344
Borrowings	4.32	59,495	–	–	59,495	59,495
Amounts due to a director		199	–	–	199	199
		201,425	–	–	201,425	201,425
Derivatives – Gross settlement						
Foreign exchange forward contracts						
– inflow	N/A	59,475	–	–	59,475	N/A
– outflow	N/A	(59,322)	–	–	(59,322)	N/A
		153	–	–	153	–

	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 un-discounted cash flows RMB'000	Carrying amount RMB'000
December 31, 2009						
Non-derivative financial liabilities						
Trade and other payables	N/A	129,752	–	–	129,752	129,752
Amounts due to related companies	N/A	30,550	–	–	30,550	30,550
Borrowings	3.74	–	1,158	147,269	148,427	142,848
Dividend payables	N/A	4,977	–	–	4,977	4,977
		165,279	1,158	147,269	313,706	308,127
Derivatives – Gross settlement						
Foreign exchange forward contracts						
– inflow	N/A	–	–	49,757	49,757	N/A
– outflow	N/A	–	–	(50,085)	(50,085)	N/A
		–	–	(328)	(328)	–
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)	–
September 30, 2011						
Non-derivative financial liabilities						
Trade and other payables	N/A	134,807	–	–	134,807	134,807
Amount due to related companies	N/A	37,719	–	–	37,719	37,719
Borrowings	3.37	–	30,667	–	30,667	30,496
Dividend payables	N/A	4,977	–	–	4,977	4,977
		177,503	30,667	–	208,170	207,999
Derivatives – Gross settlement						
Foreign exchange forward contracts						
– inflow	N/A	–	30,620	–	30,620	N/A
– outflow	N/A	–	(31,584)	–	(31,584)	N/A
		–	(964)	–	(964)	–

Fair value of financial instruments

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

- The fair value of the 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.

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

41. RELATED PARTY TRANSACTIONS

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

(b) During the Track Record Period, the Group entered into the following transactions with related parties:

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
Purchase of goods and materials					
– Meixin	33,793	25,133	28,373	22,459	17,615
– Christine Hose	11,095	7,081	15,117	10,514	4,002
– Jiaguo	15,454	17,621	8,836	5,535	–
– Guangcan	8,484	7,560	9,111	8,358	7,407
– Aroma Coffee	265	4,225	4,147	4,066	1,590
– Yi Pin Xuan(note)	6,826	83,858	100,260	68,598	68,228
– Wujiang Shangpu	–	–	9,981	9,542	13,596
– Marubeni Shanghai	36,254	39,544	45,900	34,593	37,738
– Tongcan	–	–	342	–	486
	112,171	185,022	222,067	163,665	150,662
Sales of materials					
– Yi Pin Xuan	–	3,328	3,611	–	2,170
Purchase of property, plant and equipment					
– Christine Hose	–	–	9,825	–	–
Purchase of leasehold land					
– Christine Hose	–	–	13,784	–	–
Sales of property, plant and equipment					
– Yi Pin Xuan	–	–	–	–	7,673
Rental income from operating leases					
– Yi Pin Xuan	–	–	–	–	1,080

Note: Ms. Ching-Ying Huang Lo acquired 100% interest in Yi Pin Xuan on November 13, 2008 and became its beneficial owner. Therefore, the amounts disclosed as related party transactions represented the transactions with Yi Pin Xuan since then.

The Group entered into the above related party transactions upon the prices agreed with the counterparties. Except for the transactions with Christine Hose and Jiaguo and the sales of property, plant and equipment with Yi Pin Xuan, the above related party transactions are expected to continue after the Listing.

(c) Key management compensation

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

Group

	Year ended December 31,			Nine months ended September 30,	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 (unaudited)	2011 RMB'000
Basic salaries, allowances and benefits	2,315	2,579	2,598	1,949	2,338

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

F. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate remuneration paid to the Company's directors for the year ended December 31, 2011 was approximately RMB1.0 million.

G. SUBSEQUENT EVENTS

The following significant events took place subsequent to September 30, 2011:

i. On December 27, 2011,

(a) the Company underwent a capital reorganization, whereby (1) 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; (2) 78 shares of HK$0.00001 each were issued to Asia Christine; and (3) the one existing issued share of US$0.0001 belonging to Asia Christine was repurchased by the Company;

(b) immediately following the repurchase as described in paragraph (a) above, 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;

(c) 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 then shareholders of Asia Christine pro rata.

Details of which is disclosed in the section headed "Statutory and general information" of Appendix VI to the Prospectus.

ii. On December 27, 2011, the Directors of the Company approved the adoption of 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"). In 2012, prior to the initial public offering and listing of the shares of the Company, Christine Princess Co. (PTC) Ltd. ("Christine Princess"), one of the Shareholders of the Company as a private trust company for the holding of shares for the purpose of the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme, (i) transferred 6,375,000 shares 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 to the eligible employees under the Pre-IPO Share Option Scheme.

H. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to September 30, 2011.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong