CHRISTINE INTERNATIONAL HOLDINGS LIMITED
克莉絲汀國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1210)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Operating revenue decreased by approximately 9.32% to approximately RMB444,693,000 (six months ended 30 June 2015: approximately RMB490,416,000).
- Gross profit decreased by approximately 11.2% to approximately RMB198,647,000 (six months ended 30 June 2015: approximately RMB223,807,000).
- Loss attributable to owners of the Company amounted to approximately RMB64,281,000 (six months ended 30 June 2015: a loss of approximately RMB85,441,000).
- Basic loss per share amounted to approximately RMB6.4 cents (six months ended 30 June 2015: a loss of approximately RMB8.5 cents).
- The Directors do not recommend the payment of an interim dividend in 2016 (six months ended 30 June 2015: Nil).

The board (the "Board") of directors (the "Directors") of Christine International Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 (the "Period"), together with the comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	**Six months ended 30 June**	
		2016	2015
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**444,693**	490,416
Cost of sales		**(246,046)**	(266,609)
Gross profit		**198,647**	223,807
Other income		**4,372**	4,873
Other gains and losses		**12,125**	4,774
Other expenses		**(223)**	(615)
Share of profit (loss) of an associate		**245**	(144)
Distribution and selling expenses		**(241,526)**	(276,210)
Administrative expenses		**(37,391)**	(40,269)
Loss before taxation	*5*	**(63,751)**	(83,784)
Income tax expense	*6*	**(530)**	(1,657)
Loss and total comprehensive expense for the period attributable to owners of the Company		**(64,281)**	(85,441)
Loss per share – Basic and diluted (RMB cents)	*8*	**(6.4)**	(8.5)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	**30/06/2016** *RMB'000* **(unaudited)**	31/12/2015 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**534,460**	547,941
Prepaid lease payments for land		**75,238**	76,294
Intangible assets		**16,126**	16,712
Rental deposit		**11,185**	11,389
Deposits for purchase of non-current assets		**27,755**	28,259
Goodwill		**14,838**	14,838
Investment in an associate		**2,570**	2,325
Available-for-sale financial asset		**–**	35,000
Deferred tax assets		**24,938**	25,001
		707,110	757,759
Current assets			
Inventories		**26,071**	29,286
Trade and other receivables	*9*	**64,319**	74,133
Amounts due from related parties		**14,054**	4,929
Available-for-sale financial asset		**35,000**	–
Restricted bank deposits		**52,387**	51,700
Bank balances and cash		**356,522**	517,990
		548,353	678,038
Current liabilities			
Trade and other payables	*10*	**101,622**	121,468
Deposit from customers		**402,138**	491,861
Amounts due to related parties		**2,522**	8,197
Tax payables		**1,577**	2,443
Dividend payable		**4,708**	4,708
		512,567	628,677
Net current assets		**35,786**	49,361
Total assets less current liabilities		**742,896**	807,120
Non-current liabilities			
Deferred tax liabilities		**24,348**	24,254
Deferred income		**2,186**	2,420
		716,362	780,446
Capital and reserves			
Share capital		**8**	8
Reserves		**716,354**	780,438
Total equity attributable to owners of the Company		**716,362**	780,446

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 March 2008. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 February 2012 (the "Listing"). Its parent company is Sino Century Universal Corporation, which is incorporated in the British Virgin Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. Its subsidiaries established in the People's Republic of China (the "PRC") are primarily engaged in the production and sales of bakery products.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (The "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. **SEGMENT INFORMATION**

The chief operating decision maker ("CODM") reviews the Group as a whole and internal reports reported to the CODM included only revenue analysis by product types and no other discretionary information is prepared for resource allocation and performance assessment. Therefore, no operating segment information is presented.

Revenue analysis by types of products

	Segment revenue Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bread and cakes	**351,308**	389,238
Moon cakes *(Note)*	**–**	–
Pastries	**51,106**	60,153
Others	**42,279**	41,025
	444,693	490,416

Note: Revenue from the moon cakes are generated in the second half of the financial year.

Revenue reported above represents revenue generated from external customers.

5. **LOSS BEFORE TAXATION**

Loss before taxation has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' remuneration	**816**	841
Contribution to retirement benefits schemes	**18,620**	19,235
Share-based payments	**197**	531
Other staff costs	**152,601**	159,731
	172,234	180,338
Depreciation of property, plant and equipment	**33,086**	43,544
Amortisation of intangible assets	**900**	885
Operating lease rentals in respect of		
– land use rights	**1,056**	1,056
– rented retail outlets	**76,609**	89,597
Cost of inventories recognised as expenses	**246,046**	266,609

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC enterprise income tax ("EIT")	**503**	202
(Over) under provision in respect of prior years	**(130)**	355
Deferred tax	**157**	1,100
Total income tax expense	**530**	1,657

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

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

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25%.

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to interests or dividends earned and payable to investors that are "non-tax resident enterprises", 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, in respect of profits earned by the PRC subsidiaries since 1 January 2008 to the extent such interests or dividends have their sources within the PRC. Under such circumstances, interests or dividends paid by the PRC subsidiaries to offshore group entities shall be subject to the withholding income tax at 10% or a lower treaty rate. Therefore, withholding income tax has been provided for based on the anticipated dividends to be paid by the PRC subsidiaries.

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2015: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the period and 1,010,188,000 issued shares for the six months ended 30 June 2016 (six months ended 30 June 2015: 1,010,188,000 issued shares).

The diluted loss per share is the same as basic loss per share for the six months ended 30 June 2016 as there were no potential ordinary shares outstanding during the period.

9. TRADE AND OTHER RECEIVABLES

	30/06/2016	31/12/2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**11,050**	17,172
Less: Allowance for doubtful debts	**(394)**	(394)
	10,656	16,778
Advance to suppliers	**4,636**	4,828
Prepaid lease payments for land and retail outlets	**42,331**	45,794
Prepaid expenses	**1,757**	207
Other receivables	**4,939**	6,526
	64,319	74,133

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

	30/06/2016	31/12/2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 30 days	**9,260**	12,338
31 to 60 days	**515**	348
61 to 90 days	**359**	381
91 to 180 days	**18**	3,205
Over 180 days	**504**	506
	10,656	16,778

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. Sales proceeds from cash consumer card are collected and paid to the Group by the cash consumer card issuers within 30 days after the sales of the products.

10. TRADE AND OTHER PAYABLES

	30/06/2016	31/12/2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**44,099**	56,424
Payroll and welfare payable	**21,552**	23,679
Other tax payable	**2,177**	2,379
Pension payable	**2,657**	2,883
Other payables and accruals	**27,494**	29,116
Payables for acquisition of property, plant and equipment	**3,643**	6,987
	101,622	121,468

The Group is normally 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 invoice date at the end of the reporting period:

	30/06/2016	31/12/2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 45 days	**29,452**	50,504
46 to 60 days	**12,413**	5,033
61 to 90 days	**1,029**	352
91 to 180 days	**293**	–
Over 180 days	**912**	535
	44,099	56,424

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Operating Revenue

An analysis of the Group's operating revenue by product categories for the six months ended 30 June 2016 and 30 June 2015 is set out as follows:

	Six months ended 30 June 2016 *RMB'000*		Six months ended 30 June 2015 *RMB'000*	
	Operating Revenue	**Gross Operating Profit**	Operating Revenue	Gross Operating Profit
Bread and cakes	**351,308**	**138,568**	389,238	158,694
Moon cakes	**–**	**–**	–	–
Pastries	**51,106**	**32,793**	60,153	38,659
Other	**42,279**	**27,286**	41,025	26,454
	444,693	**198,647**	490,416	223,807

The Group's operating revenue was approximately RMB444,693,000 for the six months ended 30 June 2016, representing a decrease of approximately 9.32% as compared to approximately RMB490,416,000 for the corresponding period of 2015. The decrease in revenue was primarily due to the slowdown in external overall economic growth, which affected the fast-moving consumer goods (FMCG) market and led to the slowdown in economies of scale for most physical retail stores under traditional chained bakery brand. With the rising of internet consumption pattern, it greatly facilitated a diversion between physical outlets and virtual outlets and hit the operation of stores. In order to maintain the efficiency of retail stores, the Group has seriously considered to close down the loss-making stores over the past two years. The number of stores decreased from 824 as at 30 June 2015 to 700 for the six months ended 30 June 2016, representing a total decrease of 124 stores. Among these closed down stores, there has been a decrease of 88 stores in the Shanghai area and 36 stores in Jiangsu province and Zhejiang province.

All of the above factors led to a decrease of 14.2% of the overall customer flow of the Group in the period and hence the operating revenue decreased, the revenue therefore decreased whereas the average price per order increased by 8%. Closure of stores led to the flow of original customer groups to the subsisting stores, causing the same store growth rate to reach 3.3%.

The Group's operating revenue is subject to seasonal factors. Due to the sales of moon cakes during the Mid-Autumn Festival and the cold climate in the second half of the year, the operating revenue in the second half of the year generally exceeds that in the first half of the year. The sales revenue of the Group in the first half of 2016 and 2015 only accounted for approximately 46.2% and 46.6% of the annual operating revenue, respectively.

In terms of geographical locations, sales revenue in Shanghai area accounted for approximately 58.6% of the Group's revenue for the six months ended 30 June 2016, which was lower than 60.2% for the corresponding period in 2015. However, it was still the main source of the Group's operation revenue. The Group's retail stores in Shanghai area has the densest distribution, and these stores remain as the main revenue source of the Company. Subject to the influence of intense competition from peers operating under diversified business models, during the two corresponding periods, the number of stores ceased operation in this region was the highest in the total number of closed down stores, reaching 71%. The operating revenue for the six months ended 30 June 2016 decreased by approximately RMB34,720,000 as compared to the corresponding period in 2015, representing a decrease of approximately 11.8%. Jiangsu province and Zhejiang province recorded a decrease in operating revenue of approximately RMB5,779,000 and approximately RMB5,224,000 for the six months ended 30 June 2016 respectively, representing decreases of 4.7% and 7.2% respectively as compared to the corresponding period in 2015.

In terms of product categories, except the slight increase in miscellaneous goods, operating revenue from all categories decreased for the six months ended 30 June 2016 as compared to that in the corresponding period in 2015, of which bread and cakes decreased by approximately RM37,930,000, representing a decrease of approximately 9.7%. Pastries decreased by approximately RMB9,047,000, representing a decrease of approximately 15.0%. Others increased by approximately RMB1,254,000, representing an increase of approximately 3.1%.

In terms of payment methods, the Company's sales revenue in retail outlets was settled either in cash (and bank cards) or through redemption of coupons (and pre-paid cards). For the six months ended 30 June 2016, sales revenue settled by cash (and bank cards) amounted to approximately RMB272,325,000, accounting for 61.2% of the total sales revenue, which was lower than RMB319,523,000 and approximately 65.2% for the corresponding period in 2015. Sales revenue through redemption of coupons (and pre-paid cards) amounted to approximately RMB172,368,000, accounting for 38.8% of the total sales revenue. As some of the coupons (and pre-paid cards) were to expire soon in the period, the redemption was pretty active, which was slightly higher than RMB170,893,000 and approximately 34.8% for the corresponding period in 2015.

Gross Operating Profit

The Company's gross operating profit was approximately RMB198,647,000 for the six months ended 30 June 2016, representing a decrease of approximately 11.2% as compared to RMB223,807,000 for the six months ended 30 June 2015. Gross profit margin was approximately 44.7%, representing a slight decrease of 0.9% as compared to 45.6% for the corresponding period in 2015. As the plan of closing down loss-making stores was implemented, the capacity utilization of plants decreased, resulting in the increase of unit cost and the decrease of gross margin as a whole.

Other Income

For the six months ended 30 June 2016, other income of the Group decreased by approximately RMB501,000 from approximately RMB4,873,000 for the corresponding period in 2015 to approximately RMB4,372,000, primarily attributable to a decrease of the turnover which affected the cash deposits and a decrease in interest income of approximately RMB807,000.

Other Gain and Loss

For the six months ended 30 June 2016, other gain of the Group increased by approximately RMB7,351,000 from approximately RMB4,774,000 for the corresponding period in 2015 to approximately RMB12,125,000, mainly due to an increase from expired unpresented coupons of approximately RMB5,263,000, an increase from the gain of foreign currency deposits exchange of approximately RMB1,058,000 as compared to the prior period and an increase from scrap income and rental income of approximately RMB528,000.

Other Expenses

Other expenses mainly represent occasional non-operating expenses such as the compensation for unexpired lease and the compensation due to labour agreements. For the six months ended 30 June 2016, other expenses decreased by approximately RMB392,000 from approximately RMB615,000 for the corresponding period in 2015 to approximately RMB223,000.

Profit and Loss of an Associate

For the six months ended 30 June 2016, profit of an associate was approximately RMB245,000, as compared to the loss of approximately RMB144,000 for the corresponding period in 2015. There is an increase in profit of approximately RMB389,000 due to a change of investment.

Selling Expenses

For the six months ended 30 June 2016, selling expenses decreased by approximately RMB34,684,000 from approximately RMB276,210,000 for the corresponding period in 2015 to approximately RMB241,526,000, representing a decrease of approximately 12.6%. The number of sales executives decreased in line with the closure of stores. Salaries and social insurance fees decreased by approximately RMB14,492,000 as compared to that of the corresponding period in 2015. Following the decrease in sales amount, packaging and transportation expenses decreased by approximately RMB2,755,000 as compared to the corresponding period in 2015. Rental expenses decreased by approximately RMB13,627,000 and amortization of renovations decreased by approximately RMB2,137,000 as a result of the closure of stores with poor performance. Enhanced cost-efficiency in relation to utility, production of light boxes and asset amortization have contributed to the decrease in related expenses of approximately RMB2,373,000 as compared to the corresponding period in 2015.

Administrative Expenses

For the six months ended 30 June 2016, administrative expenses decreased by approximately RMB2,878,000 from approximately RMB40,269,000 for the corresponding period of 2015 to approximately RMB37,391,000. It was mainly due to the adequate impairment provision for some information equipment of the management department, no impairment provision was provided in the current period and the sundry costs were strictly controlled to reduce expenses.

Income Tax Expenses

Income tax expenses incurred for the six months ended 30 June 2016 decreased by approximately RMB1,127,000 to approximately RMB530,000, as compared to the income tax expenses of approximately RMB1,657,000 in the corresponding period in 2015. It was mainly due to the decrease of approximately RMB937,000 in the transfer of deferred tax expenses recognized in the current period.

Loss for the Period and Total Comprehensive Income Attributable to Shareholders

For the six months ended 30 June 2016, loss for the period amounted to approximately RMB64,281,000, representing a decrease of approximately RMB21,160,000 as compared to the loss of approximately RMB85,441,000 for the corresponding period in 2015. The net loss ratio decreased from 17.4% in the corresponding period in 2015 to 14.5%.

Major causes for the adverse impact on performance include: the effects of the change of external environment and the unchanged internal environment, the number of stores rapidly reduced by the Group which resulted in the decreased number of walk-in consumers and the deterioration of performance and thus lower operation ratio and profits. The Company recorded a loss for the six months ended 30 June 2016.

ANALYSIS OF FINANCIAL POSITION

Inventory Turnover Days

The following table sets forth the inventory turnover days for the six months ended 30 June 2016 and for the year ended 31 December 2015:

	30 June 2016	31 December 2015
Inventory turnover days *(Note)*	**20**	20

Note: Inventory turnover days are calculated based on the arithmetic mean of the opening balance for the year/period and closing balance for the year/period of inventories divided by cost of sales for the relevant period and multiplied by 365/183 days.

The Company's inventories consist of raw materials and finished goods. Due to the closure of certain loss-making stores and the inventory levels subject to seasonal changes, for the six months ended 30 June 2016, the inventories decreased by approximately 11% as compared to the end of the previous year. Inventory turnover days were 20 days, which were the same as that for the year ended 31 December 2015.

Trade and Other Receivables Turnover Days

The following table sets forth trade and other receivables turnover days for the six months ended 30 June 2016 and for the year ended 31 December 2015:

	30 June 2016	31 December 2015
Trade and other receivables turnover days *(Note)*	**6**	6

Note: Trade and other receivables turnover days are calculated based on the arithmetic mean of the opening and closing balance for the year/period of the trade receivables divided by the sales revenue for the relevant period and multiplied by 365/183 days.

Trade and other receivables mainly represent the outstanding receivables incurred by the revenue generated from principal businesses. The turnover days of the trade and other receivables were 6 days both for the six months ended 30 June 2016 and for the year ended 31 December 2015.

Age of Trade and Other Receivables

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

	30 June 2016 ***RMB'000***	31 December 2015 *RMB'000*
Age		
0 to 30 days	**9,260**	12,338
31 to 60 days	**515**	348
61 to 90 days	**359**	381
91 to 180 days	**18**	3,205
Over 180 days	**504**	506
	10,656	16,778

The Company's sales were mainly settled either in cash or through redemption of coupons by customers. Receivables consist of cash proceeds from retail store sales, sales of pre-paid cards (coupons), and the outstanding balance of sales volume from retail store counters as at date of statement. As the Company closed down 64 stores for the six months ended 30 June 2016, the balance of receivables decreased by approximately RMB6,122,000 as compared to that as of 31 December 2015. For those retail stores of the Group located in department stores or supermarkets, lessors who provide those sites usually collect the sales revenue on behalf of the Company and pay the same to the Company within 30 to 60 days thereafter.

Restricted Bank Deposits

The restricted bank deposits were the collateral deposited with banks pursuant to the regulation of pre-paid cards management pilot scheme for bank reconciliation under Provision No. 9 by Ministry of Commerce in 2013. The relevant collateral deposited with banks according to the provision for the balance of the pre-paid cards sold for the six months ended 30 June 2016 was approximately RMB52,387,000, which was approximate to that of approximately RMB51,700,000 for the year ended 31 December 2015.

Trade and Other Payables Turnover Days

The following table sets forth the trade payables turnover days for the six months ended 30 June 2016 and for the year ended 31 December 2015:

	30 June 2016	31 December 2015
Trade payables turnover days	**37**	39

Age of Trade and Other Payables

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Age		
0 to 45 days	**29,452**	50,504
46 to 60 days	**12,413**	5,033
61 to 90 days	**1,029**	352
91 to 180 days	**293**	–
Over 180 days	**912**	535
	44,099	56,424

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

Deposit from Customers

Deposits from customers mainly include coupon payments received from customers. Since the balance of outstanding coupons reduced as at 30 June 2016, deposit from customers decreased by approximately RMB89,723,000 as compared to that as at 31 December 2015, which was carried into revenue.

Available-for-sale Financial Asset

The Company purchased managed investment fund of RMB35,000,000 on 5 June 2015.

Future Plans for Material Investments and Capital Assets

Except for the aforesaid investment, the Group did not have other plans for material investments or capital assets.

Financial Policy

The Group has adopted a prudent financial management approach towards its financial policies and thus maintained a healthy liquidity position in order to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. The Group will utilize the balance of cash for appropriate investment to satisfy the cash requirements for supporting the strategic development of the Group.

Material Acquisitions

The Group did not have any plan for material acquisition for the six months ended 30 June 2016.

LIQUIDITY

As at 30 June 2016, cash and bank deposits amounted to approximately RMB356,522,000, representing a decrease of approximately RMB161,468,000 as compared to approximately RMB517,990,000 as at 31 December 2015, which was mainly attributable to the net cash outflow of approximately RMB142,427,000 from operating activities, and the net cash outflow of approximately RMB19,041,000 from investing activities as a result of advances from constructions, addition of production equipment and bank interest income.

The current ratio as at 30 June 2016 was 107.0%, which was approximate to 107.9% as at 31 December 2015, showing that the Company still managed a strong solvency with a sound financial structure.

LIABILITIES

Bank Borrowings

As at 30 June 2016, the Group had no outstanding bank borrowings.

Banking Facilities

As at 30 June 2016, the Group had banking facilities of RMB300,000,000.

Debentures

As at 30 June 2016, the Group had not issued any debentures.

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Payment Commitments

According to the lease contracts in relation to retail outlets, as of 30 June 2016, the Group's future minimum lease payment under non-cancellable leases amounted to approximately RMB170,311,000, while capital expenditure in relation to the acquisition of fixed assets not included in the consolidated statements amounted to approximately RMB11,913,000.

Pledged Assets

As at 30 June 2016, none of the Group's assets was pledged.

Capital Structure, Pledged Assets

The Group retained a rather healthy financial position as at 30 June 2016 without any bank borrowings, pledged assets and notes payable. Total equity amounted to approximately RMB716,362,000, representing a decrease of approximately 8.2% as compared to 31 December 2015. As at 30 June 2016, the capital structure of the Company comprised 1,010,188,000 ordinary shares of HK$0.00001 each.

Foreign Exchange and Interest Rate Exposure

As the Group conducts business transactions principally in Renminbi and its offshore capital was mainly deposited in foreign banks as offshore Renminbi, the management considered the exchange rate risk at the Group's operational level not significant. Accordingly, the Group had not used any financial instruments for hedging purposes for the six months ended 30 June 2016.

CAPITAL EXPENDITURES

Capital expenditures of the Group for the six months ended 30 June 2016 were as follows:

Item		*RMB'000*
Developing the sales network	Purchases, new fitting-out and repairs	5,743
	Operation equipment	792
	Subtotal	6,535
Expanding production capacity	Plant	13,024
	Production equipment	217
	Subtotal	13,241
Capital expenditure of back office administration	IT equipment	135
	Transportation equipment	188
	Subtotal	323
Total capital expenditures		20,099

Capital expenditure arising from developing the sales network included the project of a total of 4 outlets (before excluding closed outlets) operated by the Group during the year and the external and internal maintenance of the existing outlets. Capital expenditure arising from the expansion of production capacity was attributed to the expenses for construction of various plants and acquisition of machinery and equipment. Capital expenditure of back office administration was attributed to the purchase of IT software and acquisition of business vehicle.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new Shares at the time of its listing on the Stock Exchange on 23 February 2012 and pursuant to the exercise of the over-allotment option on 16 March 2012 amounted to HK$356,800,000. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 10 February 2012. A summary of the use of proceeds sets out below:

Unit: HK$

Items	**Accumulated amount as of 30 June 2016**
Opening new retail outlets	146,288,000
Expanding production capacity	142,662,000
Addition and improvement of the information technology systems and the research and development of new products	18,958,000
General working capital	35,680,000
Total	343,588,000

As at 30 June 2016, the balance of unutilized proceeds amounted to approximately HK$13,212,000 and the net proceeds are temporarily placed in short term deposits with licensed institutions in Hong Kong.

HUMAN RESOURCES

The Group had a total of 5,510 employees as at 30 June 2016, decreased by 14.0% as compared to the corresponding period of last year, majority of whom are still sales and marketing executives accounting for 67.4% of the total number of staff. Production staff and management personnel accounted for approximately 28.8% and approximately 3.8% of the total number of staff respectively. Total annual payroll of the Group amounted to approximately RMB172,234,000, accounting for 38.7% of the operating revenue and representing a slight decrease as compared with 36.8% in the corresponding period in 2015.

Number of walk-in customers decreased as a result of downscale of operation. Sales executives of stores provided by the Group decreased in line with the store closure. The number of production staff in the plants reduced because of the decrease in production. As the alternation of generations is underway, the number of management staff was slightly more than that in the corresponding period in 2015 in order to be in line with the adjustment of the operating direction and the strength enhancement. The approaches adopted in the course of downsizing corporate staff were legitimate and reasonable with appropriate procedures under a peaceful backdrop so as to maintain the working environment in harmony. At this stage, the key focus of our human resources work is to downsize workforce peacefully.

The emphasis of staff training for the period is still placing on the enhancement of marketing skills of our frontline sales executives in the stores. Initially, it had achieved the goal of raising each customer's transaction price. In the future, we expect to enhance the quality of customers' experience through flexible and friendly services in order to raise the number of customers.

FUTURE PROSPECTS

Market Outlook

The growth of the consumption market has been slowing down for consecutive years, while the bakery industry continues to grow. The operation models and niche products of western chain-branded bakery are innovative with a number of competitors, but there is no significant breakthrough. Either the physical access or the internet e-commerce has experienced an operation bottleneck. In view of the industry situation in 2016, the features are as follows:

(I) The industry players expanded from the first and second tier cities to the third and fourth tier cities with breakfast as their main focus;

(II) The distinct regional features of the brands led to a difficult cross-boundary competition in the industry;

(III) There were numerous brands and their operation models were extensive with low maturity in general;

(IV) Most of the brands were not appealing with low-level price competition;

(V) The marketing, management models and the products in the market were highly homogeneous;

(VI) Food safety was still the primary concern of the consumers and the government authorities

The market trend shows that the operation of bakery brands experienced a bottleneck that the natures and the products of the industry players are increasingly homogeneous. As a result, the brands were not appealing and the consumption market entered into price wars, under which bad money drives out good. The chain brands withdrew from the first and second tier cities rapidly and chose to start their business in the third and fourth tier cities as they attempted to seize the opportunities. However, they still have to face the local existing brands. The competition is probably more vigorous than that in the big cities as the market scale is not as large as theirs.

Under the impact of the changing consumption market at the current stage, the Group will strengthen its existing advantages and consistently strive for food safety so as to enhance the confidence and the loyalty of the consumers and re-establish the branding advantages. The Group expects to research and develop new products which can break the deadlock of the highly homogeneous products in the market. The Group will also develop competitive product portfolios to enhance the efficiency of its stores.

Striving for outsourcing to large-scale distributors is also the main task in the second-half of the year for the purpose of enhancing the plant capacity utilization to a certain extent as well as to assess the acceptance of various products through different sales channels. Although this may result in the decrease in gross profit, the growth in overall revenue and a comprehensive understanding of the market are our first priority.

Research and Development Prospects

The primary task of the research and development center of the Group in the second half of 2016 is to optimize development of the existing products and special products:

(I) Improvement of existing products: the new products researched and developed in the first half of the year will be improved according to the actual production and market feedbacks. Based on the routine quality checks, the materials, flavours, ingredients and the production flows of the products will be re-confirmed, re-adjusted or re-strengthened in order to ensure the quality of products.

(II) Development of regional products: the flavours of the products will be customized and adjusted according to consumers' preference of the respective regions so as to increase their acceptance in the market and enhance the flow and loyalty of the customers in the regions.

(III) Development of twice-baked products: in order to induce more purchases, the semi-finished products will be processed in the stores to create visual and taste stimulus on site, which is the most direct way to motivate consumption. Based on such demands, the twice-baked product series will be developed successively to create better atmosphere in the stores as a solution to the current low-attractiveness of the prepackaged products to the consumers.

(IV) Development of GABA product series: with sufficient provision for impairment made in the production line of GABA manufacturing, the Company reviewed the market value of this product series and is prepared to invest in research and development of new products, such as GABA noodles and breakfast series. It is expected that the facilities can be utilized reasonably.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

CORPORATE GOVERNANCE

The Directors consider that throughout the period from 1 January 2016 to 30 June 2016, the Company has applied the principles of Appendix 14 – Corporate Governance Code (the "CG Code") to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and complied with the applicable code provisions set out in the CG Code; except for the following deviation:

Code Provision A.2.1

On 28 February 2013, Ms. Xiuping Zhu retired from the position of the Chief Executive Officer (the "CEO") of the Company. Mr. Tien-An Lo ("Mr. Lo") is temporarily taking up the duties of CEO until the suitable candidate is found. Mr. Lo is the founder of the Group and has over 21 years of experience in bakery and retail industry. The Board believes that vesting the roles of both Chairman and CEO in Mr. Lo will continue to provide the Company with strong and consistent leadership and will not impair the balance of power and authority between the Board and the management of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standards for securities transactions conducted by Directors. All Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2016.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed consolidated interim statements of the Group for the six months ended 30 June 2016 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

NO CORRECTION OF MATERIAL ERRORS

There were no prior period adjustments due to correction of material errors during the six months ended 30 June 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.christine.com.cn. The interim report of the Company for the six months ended 30 June 2016 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

By Order of the Board
Christine International Holdings Limited
Tien-An Lo
Chairman

Shanghai PRC, 26 August 2016

As at the date of this announcement, the executive Directors are Mr Tien-An Lo, Mr Hung-Sen Hsu and Mr Ming-Tien Lin; the non-executive Director is Mr Chi-Ming Chou; and the independent non-executive Directors are Mr Haiming Gao, Mr Nianlin Zhu and Ms Wanwen Su.