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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1210)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2016

- Turnover decreased by approximately 12.81% to approximately RMB926 million (2015: approximately RMB1,062 million).
- Gross profit decreased by approximately 14.09% to approximately RMB431 million (2015: approximately RMB501 million).
- Loss attributable to owners of the Company decreased by approximately 18.29% to loss of approximately RMB121 million (2015: loss of approximately RMB148 million).
- Basic loss per share amounted to approximately RMB12.0 cents (2015: basic loss per share of approximately RMB14.7 cents).
- The Board does not recommend the payment of a final dividend for 2016 (2015: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Christine International Holdings Limited (the "**Company**", "**we**", "**our**" or "**us**") announces that the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*3*	**925,705**	1,061,750
Cost of sales		**(495,129)**	(560,532)
Gross profit		**430,576**	501,218
Other income	*4*	**12,864**	13,776
Other gains and losses	*5*	**(21,609)**	(33,320)
Distribution and selling expenses		**(464,092)**	(541,671)
Administrative expenses		**(76,244)**	(84,718)
Other expenses		**(761)**	(1,718)
Share of profit of an associate		**467**	382
Loss before taxation		**(118,799)**	(146,051)
Income tax expense	*6*	**(2,411)**	(2,300)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(121,210)**	(148,351)
Loss per share – Basic and diluted (cents)	*8*	**(12.0)**	(14.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**507,810**	547,941
Prepaid lease payments for land		**74,093**	76,294
Intangible assets		**17,570**	16,712
Rental deposits		**10,295**	11,389
Deposits for purchase of non-current assets		**26,221**	28,259
Goodwill		**–**	14,838
Investment in an associate		**2,792**	2,325
Available-for-sale financial assets		**–**	35,000
Deferred tax assets		**24,092**	25,001
		662,873	757,759
Current assets			
Inventories		**28,581**	29,286
Trade and other receivables	*9*	**62,537**	74,133
Amounts due from related companies		**10,875**	4,929
Restricted bank deposits		**52,390**	51,700
Available-for-sale financial assets		**35,000**	–
Bank balances and cash		**457,889**	517,990
		647,272	678,038
Current liabilities			
Trade and other payables	*10*	**152,701**	121,468
Deposit from customers		**461,364**	491,861
Amounts due to related companies		**3,644**	8,197
Tax payables		**2,063**	2,443
Dividend payable		**4,708**	4,708
		624,480	628,677
Net current assets		**22,792**	49,361
Total assets less current liabilities		**685,665**	807,120
Non-current liabilities			
Deferred tax liabilities		**24,141**	24,254
Deferred income		**1,952**	2,420
		659,572	780,446
Capital and reserves			
Share capital		**8**	8
Reserves		**659,564**	780,438
Total equity attributable to owners of the Company		**659,572**	780,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated on 11 March 2008 as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 23 February 2012. 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.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
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 amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 Financial Instruments

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipated that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset in initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and cash flows respectively.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of RMB129,544,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except as described above, the directors of the Company do not anticipate that the application of the remaining new and amendments to HKFRSs will have a material effect on the amounts recognized in the Group's consolidated financial statements in future.

3. 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 product types

	Revenue	
	2016	2015
	RMB'000	*RMB'000*
Bread and cakes	**671,814**	772,213
Moon cakes	**79,666**	94,810
Pastries	**103,281**	118,218
Others	**70,944**	76,509
	925,705	1,061,750

Geographical information

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

No single customer contributed over 10% of the total revenue of the Group for both 2016 and 2015.

4. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Interest income	**6,381**	7,135
Government grants *(Note)*	**6,015**	6,135
Release of asset-related government grants	**468**	506
	12,864	13,776

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

5. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Gain on expired unpresented coupons *(Note)*	**1,825**	16,984
Loss on disposal of property, plant and equipment	**(2,199)**	(212)
Exchange gains	**3,270**	3,929
(Loss) gain on disposal of scrap and other materials	**(66)**	479
Impairment loss of property, plant and equipment	**(11,170)**	(51,308)
Impairment loss of goodwill	**(14,838)**	(5,309)
Others	**1,569**	2,117
	(21,609)	(33,320)

Note: 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.

6. INCOME TAX EXPENSES

	2016	2015
	RMB'000	*RMB'000*
PRC enterprise income tax ("EIT")	**1,745**	975
(Over) under provision in respect of prior years	**(130)**	35
	1,615	1,010
Deferred tax	**796**	1,290
Total tax expense	**2,411**	2,300

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

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

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 interest 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 PRC subsidiaries since 1 January 2008 to the extent such interest or dividends have their sources within the PRC. Under such circumstances, interest 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.

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

	2016	2015
	RMB'000	*RMB'000*
Loss before taxation	**(118,799)**	(146,051)
Income tax expense calculated at applicable tax rate *(Note)*	**(29,700)**	(36,513)
Effect of expenses that are not deductible in determining taxable profit	**3,718**	1,818
(Over) under provision in respect of prior years	**(130)**	35
Effect on share of profit of an associate	**(117)**	(95)
Effect of unrecognised deductible temporary differences	**3,629**	13,491
Effect of unrecognised tax losses	**25,011**	23,564
Income tax expense recognised in profit or loss	**2,411**	2,300

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

7. DIVIDENDS

No dividends were paid, declared or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company for the year and 1,010,188,000 issued shares for the year ended 31 December 2016 and 2015.

There were no potential ordinary shares outstanding for the year ended 31 December 2016.

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**12,996**	17,172
Less: Allowance for doubtful debts	**(394)**	(394)
	12,602	16,778
Advance to suppliers	**3,523**	4,828
Prepaid lease payments for land and retail outlets	**41,091**	45,794
Prepaid expenses	**523**	207
Other receivables	**4,798**	6,526
	62,537	74,133

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:

	2016	2015
	RMB'000	*RMB'000*
Age		
0 to 30 days	**10,695**	12,338
31 to 60 days	**210**	348
61 to 90 days	**396**	381
91 to 180 days	**1,250**	3,205
Over 180 days	**51**	506
	12,602	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.

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.

Included in the Group's trade receivable balance are debtors with carrying amounts of approximately RMB1.7 million as at 31 December 2016 (2015: RMB4.1 million), which are past due at the reporting date for which the Group has not provided for impairment loss. The Group considers these receivables can be collected. The Group does not hold any collateral over these balances.

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

	2016	2015
	RMB'000	*RMB'000*
Age		
61 to 90 days	**396**	381
91 to 180 days	**1,250**	3,205
Over 180 days	**51**	506
	1,697	4,092

Movement in the allowance for doubtful debts:

	2016	2015
	RMB'000	*RMB'000*
Beginning of the year	**394**	1,479
Credited to profit or loss	**–**	(1,085)
End of the year	**394**	394

10. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**53,183**	56,424
Payroll and welfare payable	**17,780**	23,679
Other tax payable	**34,961**	2,379
Pension payable	**2,559**	2,883
Other payables and accruals	**32,563**	29,116
Payables for acquisition of property, plant and equipment	**11,655**	6,987
	152,701	121,468

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

	2016	2015
	RMB'000	*RMB'000*
Age		
0 to 45 days	**48,083**	50,504
46 to 60 days	**4,028**	5,033
61 to 90 days	**119**	352
91 to 180 days	**21**	–
Over 180 days	**932**	535
	53,183	56,424

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating Revenue

An analysis of the Group's operating revenue for the years of 2016 and 2015 is set out as follows:

	2016 *RMB'000*		2015 *RMB'000*	
	Operating Revenue	**Gross Operating Profit**	Operating Revenue	Gross Operating Profit
Bread and cakes	**671,814**	**254,280**	772,213	299,336
Moon cakes	**79,666**	**65,548**	94,810	77,909
Pastries	**103,281**	**62,610**	118,218	71,964
Other	**70,944**	**48,138**	76,509	52,009
	925,705	**430,576**	1,061,750	501,218

The Group's operating revenue was approximately RMB925,705,000 in 2016, representing a decrease of approximately 12.81% as compared with approximately RMB1,061,750,000 in 2015. The decrease in revenue was mainly attributable to the continual closure of 74 loss-making stores in 2016. The total number of stores fell from 760 at the end of 2015 to 686 at the end of 2016, due to the closure of loss-making stores. Competition in the bakery industry was still keen but market consumption continued to rise slowly. The Group also recorded a negative growth rate of -1.8% regarding the sales of the same stores operated by the Group in both 2015 and 2016.

In terms of geographical locations, sales revenue from the Group's retail outlets in Shanghai accounted for approximately 58.96% of the Group's revenue for 2016, which slightly decreased from 59.99% in 2015. The main source of the Group's revenue was still from the Shanghai market. Since we adopted a business model of selling food delivered from factories in traditional retail outlets, we were less competitive as other brands that sell freshly baked products in urban areas. As such, we continued our strategy in the previous year and reduced the number of retail outlets. For more information on our strategy, please refer to the section headed "Research and Development Prospects" in this announcement. During the year, we recorded a closure of 51 stores in Shanghai, representing 68.92% of the net decrease in the number of retail outlets during the year. Operating revenue in this area for 2016 decreased by approximately RMB91,199,000 or approximately 14.32% as compared with 2015. We also recorded a decrease in operating revenue in Jiangsu and Zhejiang provinces of approximately RMB22,548,000 and RMB22,297,000, respectively, or 8.31% and 14.53%, respectively, as compared with 2015.

Following the closure of 74 retail stores, revenue from our main products in 2016, namely bread and cakes, decreased by approximately RMB100,399,000 or 13% as compared with 2015. In addition, both pastries and others were also affected with sales volume decreased by approximately RMB14,937,000 and RMB5,565,000, or approximately 12.64% and 7.27%, respectively. The Group's revenue from moon cakes was also affected and decreased by approximately RMB15,144,000 or 15.97% as compared with 2015.

In terms of payment methods, the Company's revenue in retail stores was settled either in cash (and bank card) sales or through redemption of coupons (and pre-paid cards). In 2016, revenue settled by cash (and bank cards) amounted to approximately RMB515,573,000, accounting for 55.70% of the total revenue, representing a decrease of approximately 17.81% as compared with RMB627,284,000 in 2015. Sales revenue through sales of coupons (and pre-paid cards) slowed down and amounted to approximately RMB410,132,000 in 2016, accounting for 44.30% of the total revenue, representing a decrease of approximately 5.60% as compared with RMB434,466,000 in 2015.

Gross Operating Profit

The Company's gross operating profit was approximately RMB430,576,000 in 2016, representing a decrease of approximately 14.09% as compared with RMB501,218,000 in 2015, attributable to a decrease in production capacity utilization rate caused by a decrease in sales volume and higher fixed cost amortization. Gross profit margin for the year 2016 was approximately 46.51%, which was slightly decreased as compared with 47.21% in 2015.

Other Income

Other income of the Group decreased by approximately RMB912,000 from approximately RMB13,776,000 in 2015 to approximately RMB12,864,000 in 2016, primarily attributable to a decrease in interest income of approximately RMB754,000 caused by a decrease in bank balances and cash for the year 2016.

Other Gains and Losses

The Group recorded other losses of approximately RMB21,609,000 in 2016, representing a decrease in loss of approximately RMB11,711,000 as compared with net other losses of approximately RMB33,320,000 in 2015. It was mainly due to a decrease in provision for impairment of assets of approximately RMB30,609,000 in 2016 as compared with 2015, which was partially offset by the decrease in gain on expired unredeemed prepaid coupons of approximately RMB15,159,000 as compared with 2015 due to acceleration in redemption in the current year.

Distribution and Selling Expenses

Affected by the Group's strategic closure of certain loss-making stores, selling expenses decreased by approximately RMB77,579,000 from approximately RMB541,671,000 in 2015 to approximately RMB464,092,000 in 2016. Despite the effect of the ongoing increase in the minimum labour wage imposed by the local government and the influence from social welfare and security system on salary cost, annual salary expenses still decreased by approximately RMB31,194,000 because of the closure of loss-making stores. Rental expenses, utility expenses, amortization of repair expenses and depreciation expenses relating to retail stores decreased by approximately RMB26,359,000, RMB4,046,000, RMB3,999,000 and RMB1,943,000, respectively in 2016. Expenses for paper boxes and bags as well as transportation decreased by approximately RMB3,923,000 and RMB2,672,000 in 2016, as sales of all types of products reduced with the cutdown on stores.

Administrative Expenses

Continuing with the cost reduction policy in last year, administrative expenses decreased by approximately RMB8,474,000 from approximately RMB84,718,000 in 2015 to approximately RMB76,244,000 in 2016. This was mainly due to the fact that store design expenses in 2015 were higher than 2016 by approximately RMB4,586,000, and depreciation expenses and repair expenses relating to the back office also decreased by approximately RMB1,158,000 and approximately RMB1,370,000 in 2016.

Other Expenses

Other expenses decreased by approximately RMB957,000 from approximately RMB1,718,000 in 2015 to approximately RMB761,000 in 2016.

Share of Profit of an Associate

Share of profit of an associate was approximately RMB467,000 in 2016, which was generated by profit from investment. It represented a slight increase of approximately RMB85,000 as compared with the share of profit of approximately RMB382,000 in 2015.

Income Tax Expenses

Income tax expenses increased by approximately RMB111,000 from approximately RMB2,300,000 in 2015 to approximately RMB2,411,000 in 2016 which was at a similar level as in the previous year.

Loss and Total Comprehensive Expense for the Year Attributable to Owners of the Company

Net losses decreased by approximately RMB27,141,000 from approximately RMB148,351,000 in 2015 to approximately RMB121,210,000 in 2016. Net profit margin slightly improved from –13.97% in 2015 to –13.09% in 2016.

ANALYSIS OF FINANCIAL POSITION

Inventory Turnover Days

The following table sets forth the inventory turnover days for 2016 and 2015:

	For the years ended 31 December	
	2016	2015
Inventory turnover days *(Note)*	**21**	20

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

The Company's inventories consist of raw materials and finished goods. There was only a slight change in the inventory turnover days for 2016 as compared with 2015. The inventory levels in 2015 and 2016 were similar.

Trade Receivables Turnover Days

The following table sets forth the trade receivables turnover days for 2016 and 2015:

	For the years ended 31 December	
	2016	2015
Trade receivables turnover days *(Note)*	**6**	6

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

Trade receivables are mainly outstanding receivables arising from revenue generated from principal businesses, with turnover days remain the same for both 2016 and 2015.

Age of Trade Receivables

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

	As of 31 December	
	2016	2015
	RMB'000	*RMB'000*
Age		
0 to 30 days	**10,695**	12,338
31 to 60 days	**210**	348
61 to 90 days	**396**	381
91 to 180 days	**1,250**	3,205
Over 180 days	**51**	506
	12,602	16,778

The Company's sales were mainly settled either in cash or through redemption of coupons by customers. There was no credit payment for transactions which took place in the Group's self-operated retail stores. However, for those retail stores located in department stores or supermarkets, lessors who provided those sites usually collected the sales revenue on the Company's behalf and settled such amounts 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 2016 was approximately RMB52,390,000, which was approximate to that of approximately RMB51,700,000 for 2015.

Available-for-sale Financial Asset

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

Trade Payables Turnover Days

The following table sets forth the trade payables turnover days for 2016 and 2015:

	For the years ended 31 December	
	2016	2015
Trade payables turnover days *(Note)*	**40**	39

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

Age of Trade Payables

	As of 31 December	
	2016	2015
	RMB'000	*RMB'000*
Age		
0 to 45 days	**48,083**	50,504
46 to 60 days	**4,028**	5,033
61 to 90 days	**119**	352
91 to 180 days	**21**	–
Over 180 days	**932**	535
	53,183	56,424

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

Deposits from Customers

Deposits from customers mainly include payments received from customers for pre-paid cards and coupons. In 2016, as sales amount of pre-paid cards and coupons reduced as compared with 2015 and consumers were encouraged to redeem pre-paid cards and coupons purchased in previous years, therefore causing a decrease in the balance of outstanding pre-paid cards and coupons by approximately RMB30,497,000.

LIQUIDITY

As at 31 December 2016, cash and bank deposits amounted to approximately RMB457,889,000, representing a decrease of approximately RMB60,101,000 as compared with RMB517,990,000 as at the end of 2015, which was mainly attributable to the net cash outflow of approximately RMB31,261,000 from operating activities during the year as a result of the decrease in income under the effect of closure of stores and decline in sales of pre-paid cards and coupons and their accelerated redemption. Net cash outflow from investing activities amounted to approximately RMB28,840,000 due to addition of production assets. There was no net cash flow incurred from financing activities.

The current ratio for 2016 was 103.65%, which was slightly lower than that of 107.85% for 2015. However, this indicated our satisfactory solvency and well-established financial structure.

LIABILITIES AND GEARING RATIO

As at the end of 2016 and 2015, the Group's gearing ratio, calculated by dividing total liabilities by total assets, was approximately 49.66% and 45.64%, respectively. The decrease in sales of pre-paid cards and coupons and acceleration of redemption during 2016 resulted in a decrease in cash balance and increase in the gearing ratio.

Debentures

As at 31 December 2016, the Group had not issued any debentures.

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Payment Commitments

According to the lease contracts in relation to retail stores as at 31 December 2016, the Group's future non-cancellable minimum lease payment amounted to approximately RMB129,544,000, while capital expenditure in relation to the acquisition of fixed assets such as property, plant and equipment not included in the consolidated financial statements amounted to approximately RMB14,108,000.

Pledged Assets

As at 31 December 2016, none of the Group's assets was pledged.

Capital Structure

The Group maintained a rather healthy financial position as at 31 December 2016 without any bank borrowings, pledged assets and notes payable. Total equity amounted to approximately RMB659,572,000 as at 31 December 2016, representing a decrease of approximately 15.46% from approximately RMB780,446,000 as at 31 December 2015. As at 31 December 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, interest rate fluctuation in places where capital was deposited was not high, and our offshore capital was mainly deposited in foreign banks as offshore Renminbi, the management considered the exchange rate and interest rate risk at the Group's operational level not significant. Accordingly, the Group had not used any financial instruments for hedging purposes as at 31 December 2016.

CAPITAL EXPENDITURE PLAN

Capital expenditures of the Group for the year of 2016 were as follows:

	Items	***RMB'000***
Developing sales network	Purchases, new fitting-out and repairs	11,821
	Operation equipment	769
	Sub-total	12,590
Expanding production capacity	Plant	25,247
	Production equipment	2,133
	Sub-total	27,380
Capital expenditure for back office administration	IT software	3,351
Total capital expenditures		**43,321**

Capital expenditure arising from developing the sales network included the project of a total of 8 stores operated by the Group during the year and the external and internal maintenance of the existing stores. Capital expenditure arising from the expansion of production capacity was mainly attributed to the expenses for conducting civil engineering projects in Jiangning facility and acquisition of machinery and equipment of different plants. Capital expenditure for back office administration was mainly related to the purchase of IT software.

HUMAN RESOURCES

Since certain loss-making stores were closed and the number of sales personnel and corresponding back offices were continually downsized in 2016, the Group's total number of employees decreased to 5,019 as at 31 December 2016 from 5,793 as at 31 December 2015, with the major staff being sales staff in stores. Total annual payroll in 2016 amounted to approximately RMB323,098,000. Although the amount of total annual payroll was lower than that of 2015, it still accounted for 34.90% of the operating revenue, and representing an increase as compared with 33.51% in 2015, which was mainly due to organization adjustment to strengthen sales function and OEM business and recruitment of advanced talents. In addition to fixed wages, our employees may be granted departmental and personal allowances and year-end bonuses subject to performance appraisal.

Currently, apart from carrying out store-closure plans and downsizing the number of employees, the Group actively rewards employees who meet performance targets. Besides share option and bonus incentives, the Group also plans to implement a system pursuant to which certain store managers may share store profits depending on the stores' performance, with an aim to reduce costs.

FUTURE PROSPECTS

Market Outlook

China's bakery industry market continues to grow each year, and it is expected that by 2020 national sales volume of bakery products will reach RMB550 billion per year. The management of the Company observed the following key industry trends in recent years:

1. The overall bakery market continues to grow.

2. Consumption clusters spread from first and second tier cities to third and fourth tier cities.

3. The age band of consumers continually widens.

4. Competition in similar product types, price and distribution channel remains intense.

5. Regionalization of individual brands is obvious. There are no leading brands having absolute advantages in the national market.

6. Market competitors adopt similar marketing strategies and management techniques, rendering it difficult for brands to stand out among competitors.

7. Individual brands encounter a bottleneck stage that hinders their development.

Despite the above observations in the industry, the Company still optimistically expects that in the foreseeable future, the bakery market will achieve steady growth. In response to the above, the Company has developed the following measures:

1. Reducing store-opening density in first and second tier cities and starting to develop in third and fourth tier cities in a moderate pace.

2. Strengthening customer relation management system and online and offline services, and enhancing customer services quality.

3. Utilizing existing scale of economy in the factories to improve the production and sale of cakes, Cold Chain Bakery Products (defined below) and Passage Products (defined below), and overcoming past geographical restrictions on sales.

4. Developing new products and enhancing production technology so as to adapt to different business environments and avoid competition in the low-cost product segment.

Various expenses rose rapidly this year as a result of inflation and salary increases. We consider that by responding to consumption dynamics flexibly, we will have the opportunity to improve our business results.

Research and Development Prospects

To improve operating revenue and capacity utilization, we will focus our marketing efforts on cakes, Cold Chain Bakery Products and Passage Products in the coming year. Our research and development ("**R&D**") direction will also be adjusted accordingly.

- *R&D in Cakes*

  Cakes are products with a high gross profit margin but are also products of intense competition in the bakery retail segment. Apart from being a necessary product for sales in traditional bakery stores, sales in coffee shops and online stores are also mainstream channels for cakes sales. Utilizing scale of production in our factories and simultaneously enhancing product taste and appearance, so that they are competitive both in taste and cost, is our R&D direction regarding cakes products this year.

- *R&D in Cold Chain Bakery Products*

  As of the date of this announcement, the Company has developed 34 types of cold chain bakery products ("**Cold Chain Bakery Products**"), which are products that will be slightly baked right before sale to enhance their taste. They are also suitable for household consumption after baking, and sale in business premises after slight heating. Besides, we aim to further refine the Cold Chain Bakery Products currently used by the business premises in the future to replace the existing pre-packaged products produced in the factories. As the Cold Chain Bakery Products will be slightly baked right before sale, they will be of better temperature and taste, which we believe can stimulate our sales and help reduce returns of our products.

- *R&D in Passage Products*

  Following development of our OEM business in 2016, we expected that even greater production capacity will be allocated to our products sold at non-self-operated channels such as big outlets, supermarkets, convenience stores, coffee shops, hotels and medium and small bakery shops (the "**Passage Products**"), which is in line with our development directions. As a result of the varying demands of consumers from the aforesaid different channels, and in consideration of differences in products' expiry dates, taste, packaging and price, more resources will be allocated to the R&D of Passage Products starting from this year.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 2016.

DIVIDEND

As there is no profit for the year 2016, the Board does not recommend the payment of a final dividend for 2016 (2015: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will make further announcement on the date of annual general meeting and closure of register of members as soon as practicable.

CORPORATE GOVERNANCE

The Directors consider that the Company has applied the principles of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and complied with the applicable code provisions during the period from 1 January 2016 to 31 December 2016 as set out in the CG Code, except for the following deviation:

Code Provision A.2.1

On 28 February 2013, Ms. Xiuping Zhu retired as the Chief Executive Officer (the "**CEO**") of the Company. Mr. Tien-An Lo ("**Mr. Lo**") was then taking up the duties of CEO until the suitable candidate is found. Mr. Lo is the founder of the Group and has over 20 years of experience in the bakery and retail industry. The Board currently 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 standard for securities transactions by Directors. Specific enquiries have been made to all the Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2016 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Company for the year ended 31 December 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, the PRC, 24 March 2017

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.