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 2018

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2018

- Revenue decreased by approximately 17.52% to approximately RMB664 million (2017: approximately RMB805 million).
- Gross profit decreased by approximately 18.85% to approximately RMB296 million (2017: approximately RMB365 million).
- Loss attributable to owners of the Company increased by approximately 80.46% to loss of approximately RMB232 million (2017: loss of approximately RMB129 million).
- Basic loss per share amounted to approximately RMB23.0 cents (2017: basic loss per share of approximately RMB12.7 cents).
- The Board does not recommend the payment of a final dividend for 2018 (2017: 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 2018 together with the comparative figures for the year ended 31 December 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** ***RMB'000***	2017 *RMB'000*
Revenue	3	**664,017**	805,046
Cost of sales		**(368,117)**	(440,428)
Gross profit		**295,900**	364,618
Other income	4	**9,549**	21,566
Impairment losses, net of reversal	5	**(2,540)**	—
Other gains and losses	6	**(58,022)**	(2,567)
Distribution and selling expenses		**(401,938)**	(432,055)
Administrative expenses		**(77,167)**	(76,473)
Other expenses		**(200)**	(465)
Share of loss of an associate		**—**	(70)
Loss before tax		**(234,418)**	(125,446)
Income tax expense	7	**2,243**	(3,208)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(232,175)**	(128,654)
Loss per share - Basic and diluted (cents)	9	**(23.0)**	(12.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**369,273**	452,849
Prepaid lease payments for land		**71,226**	73,313
Intangible assets		**5,034**	15,639
Rental deposits		**10,111**	11,273
Deposits for purchase of non-current assets		**13,607**	19,072
Goodwill		**–**	–
		469,251	572,146
Current assets			
Inventories		**26,494**	32,006
Trade and other receivables and prepaid lease payments	10	**61,855**	69,303
Amounts due from related companies		**22,720**	23,081
Restricted bank deposits		**34,970**	52,911
Bank balances and cash		**182,132**	328,030
		328,171	505,331
Current liabilities			
Trade and other payables	11	**105,225**	107,832
Deposit from customers		**–**	425,785
Contract liabilities		**385,755**	–
Amounts due to related companies		**318**	2,538
Tax payables		**1,644**	1,759
Dividend payable		**4,708**	4,708
		497,650	542,622
Net current liabilities		**(169,479)**	(37,291)
Total assets less current liabilities		**299,772**	534,855

	2018	2017
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred tax liabilities	**–**	2,440
Deferred income	**1,016**	1,484
	298,756	530,931
Capital and reserves		
Share capital	**8**	8
Reserves	**298,748**	530,923
Total equity attributable to owners of the Company	**298,756**	530,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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.

As at 31 December 2018, the Group has net current liabilities of RMB169,479,000. Taking into account of the historical settlement and addition pattern of the coupon liabilities and the financial resources of the Group, in the opinion of the directors of the Company, the Group has sufficient working capital for at least the next 12 months commencing from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also functional currency of the Company.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014- 2016 Cycle*
Amendments to HKAS 40	*Transfer of Investment Property*

Except as described below, the application of the new and 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.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application, if any, is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Bread and cakes
- Moon cakes
- Pastries
- Others

Summary of effects arising from initial application of HKFRS 15

The impact of transition to HKFRS 15 arising from the initial application of HKFRS 15 on the Group's major revenue generating operation was insignificant on accumulated losses at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amount previously reported at 31 December 2017**	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
		RMB'000	***RMB'000***	***RMB'000***
Deposit from customers	a	425,785	(425,785)	–
Contract liabilities	a	–	425,785	425,785

Note:

(a) As at 1 January 2018, the balance of coupon payments and advance consideration received from customers amounting to RMB425,785,000 had been reclassified from deposit from customers to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Note	**As reported**	**Adjustments**	**Amounts without application of HKFRS 15**
		RMB'000	***RMB'000***	***RMB'000***
Deposit from customers	a	—	386,564	386,564
Contract liabilities	a	385,755	(385,755)	—
Reserves		298,748	(809)	297,939

Impact on the consolidated statement of profit and loss and other comprehensive income

	Note	**As reported**	**Adjustments**	**Amounts without application of HKFRS 15**
		RMB'000	***RMB'000***	***RMB'000***
Revenue	b	664,017	(8,123)	655,894
Gross profit	b	295,900	(8,123)	287,777
Other gains and losses	b	(58,022)	7,314	(50,708)
Loss before tax	b	(234,418)	(809)	(235,227)

Note:

(a) Upon application of HKFRS 15, the amount of RMB385,755,000 in relation to balance of coupon payments and advance consideration received from customers had been recognised as contract liabilities as at 31 December 2018.

(b) The Group issued and sold coupons to the customers which are non-refundable and are redeemed in exchange for services of the Group within a fixed future period. Customers may not always exercise all their rights. Under HKAS 18, the Group recognised unexercised rights as other gains and losses after the expiry of the coupon. Upon application of HKFRS 15, the Group recognised unexercised rights as revenue in proportion to the pattern of rights excised by the customers, taking into account of constrain in the estimation of variable consideration. This change in accounting policies resulted in an increase of revenue by RMB8,123,000 and decrease of other gains and losses by RMB7,314,000 for the year ended 31 December 2018.

HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

There was no impact on the classification of financial assets and financial liabilities and other items, and the impact on the measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 is insignificant at the date of initial application, 1 January 2018.

3. REVENUE

A. *For the year ended 31 December 2018*

(i) Disaggregation of revenue from contracts with customers

The chief operating decision maker (CODM), the Chief Executive Officer of the Company 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.

	For the year ended 31 December 2018
	RMB'000
Types of goods	
Bread and cakes	**475,354**
Moon cakes	**58,058**
Pastries	**80,309**
Others	**50,296**
Total	**664,017**
Timing of revenue recognition	
A point in time	**664,017**

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 2018 and 2017.

(ii) Performance obligations for contracts with customers

The Group sells bakery products directly to customers. Revenue is recognised when a performance obligation is satisfied, i.e. when the goods have been accepted and further checked by the customer.

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. Customers may not always exercise all their rights and those unexercised rights are recognised as revenue in proportion to the pattern of rights excised by the customers, taking into account of constrain in the estimation of variable consideration.

B. ***For the year ended 31 December 2017***

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December 2017
	RMB'000
Bread and cakes	575,725
Moon cakes	67,550
Pastries	96,872
Others	64,899
Total	805,046

4. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Gain recognised on disposal of investment classified as available-for-sale	**–**	8,691
Interest income	**2,504**	5,507
Government grants (Note)	**6,577**	6,900
Release of asset-related government grants	**468**	468
	9,549	21,566

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. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018	2017
	RMB'000	RMB'000
Impairment losses recognised on:		
– Other receivables	**2,540**	–

6. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Gain on expired unpresented coupons	**–**	6,310
Gain on disposal of an associate	**–**	2,278
Gain on fair value changes from financial assets at FVIPL	**619**	–
(Loss) gain on disposal of property, plant and equipment	**(534)**	5,551
Compensation expenses paid to employees	**–**	(1,041)
Exchange gain (loss)	**2,493**	(2,651)
Loss on disposal of scrap and other materials	**(335)**	(53)
Impairment loss of property, plant and equipment	**(52,598)**	(14,403)
Impairment loss of intangible assets	**(8,932)**	–
Rental income	**118**	771
Others	**1,147**	671
	(58,022)	(2,567)

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
PRC enterprise income tax ("EIT")	**36**	587
Under provision in respect of prior years	**161**	230
	197	817
Deferred tax	**(2,440)**	2,391
Total tax expense	**(2,243)**	3,208

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 (the "EIT law") 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 of 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:

	2018	2017
	RMB'000	*RMB'000*
Loss before taxation	**(234,418)**	(125,446)
Income tax expense calculated at applicable tax rate (Note a)	**(58,605)**	(31,362)
Effect of expenses that are not deductible in determining taxable profit	**498**	2,289
Under provision in respect of prior years	**161**	230
Effect on share of loss of an associate	**–**	18
Effect of unrecognised deductible temporary differences	**10,357**	3,364
Effect of unrecognised tax losses	**45,346**	26,072
Reversal of deferred taxation balances (Note b)	**–**	2,597
Income tax expense recognised in profit or loss	**(2,243)**	3,208

Notes:

(a) Income tax expense is basically calculated at the rate of 25% which is the statutory EIT rate of the PRC entities.

(b) In 2017, the Group reverses the deferred tax assets of RMB24,507,000 in respect of temporary differences of depreciation and impairment of property, plant and equipment, payroll accruals and bad debt allowance for trade receivables due to the unpredictability of future profit streams of the respective entities. The Group reverses the deferred tax liabilities of RMB21,910,000 in respect of withholding tax on undistributed profits in 2017, 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.

8. DIVIDENDS

No dividends were paid, declared or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

9. 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 years ended 31 December 2018 and 2017.

The diluted loss per share is the same as basic loss per share for the years ended 31 December 2018 and 2017 as the exercise prices of options were higher than the average market prices of the Company.

10. TRADE AND OTHER RECEIVABLES AND PREPAID LEASE PAYMENTS

	31/12/2018	31/12/2017
	RMB'000	*RMB'000*
Trade receivables	**14,994**	16,638
Less: Allowance for credit losses	**(394)**	(394)
	14,600	16,244
Other receivables	**5,812**	3,646
Less: Allowance for credit losses	**(2,540)**	–
	3,272	3,646
Advance to suppliers	**2,836**	4,337
Prepaid lease payments for land and retail outlets	**40,673**	42,162
Prepaid expenses	**474**	349
Other tax recoverable	**–**	2,565
	61,855	69,303

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

	31/12/2018	31/12/2017
	RMB'000	*RMB'000*
Age		
0 to 30 days	**10,934**	13,179
31 to 60 days	**662**	1,492
61 to 90 days	**263**	233
91 to 180 days	**1,707**	1,212
Over 180 days	**1,034**	128
	14,600	16,244

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.

As at 31 December, 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amounts of approximately RMB3,004,000 are past due at the reporting date. Out of the past due balances, RMB1,137,000 has been past due 90 days or more and is not considered as in default as the Group considers these receivables can be collected. The Group considers both quantitative and qualitative information that is reasonable and supportable to have a more lagging default criterion. The Group does not hold any collateral over these balances.

As at 31 December 2017, 90% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

As at 31 December 2017, included in the Group's trade receivables are debtors with carrying amount of approximately RMB1,573,000 which are past due at the end of 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.

Aging of trade receivables which are past due but not impaired:

	31/12/2017
	RMB'000
Age	
61 to 90 days	233
91 to 180 days	1,212
Over 180 days	128
	1,573

Movement in the allowance for doubtful debts

	2017
	RMB'000
Beginning and end of the year	394

As at 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB394,000, which have been identified with financial difficulties.

11. TRADE AND OTHER PAYABLES

	31/12/2018	31/12/2017
	RMB'000	*RMB'000*
Trade payables	**45,799**	51,763
Payroll and welfare payable	**10,562**	14,218
Other tax payable	**13,836**	–
Pension payable	**2,213**	2,273
Other payables and accruals	**27,473**	31,054
Payables for acquisition of property, plant and equipment	**5,342**	8,524
	105,225	107,832

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

	31/12/2018	31/12/2017
	RMB'000	*RMB'000*
Age		
0 to 45 days	**37,881**	42,396
46 to 60 days	**2,380**	2,959
61 to 90 days	**58**	145
91 to 180 days	**635**	711
Over 180 days	**4,845**	5,552
	45,799	51,763

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has expressed a qualified opinion in its auditor's report on the Group's consolidated financial statements for the year ended 31 December 2018, an extract of which is as follows:

Qualified Opinion

We have audited the consolidated financial statements of Christine International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Included within amounts due from related companies as at 31 December 2018 are processing prepayments made to a related party of RMB22,029,000. Also, included within deposits for purchase of non-current assets as at 31 December 2018 are deposits paid to the same related party for the supply of equipment of RMB11,741,000.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of these amounts. Any provision in respect of these balances would reduce the net assets of the Group as at 31 December 2018 and increase the Group's net loss for the year ended 31 December 2018.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

An analysis of the Group's revenue and gross profit by product types for the years ended 31 December 2018 and 2017 is set out as follows:

	For the years ended 31 December			
	2018		2017	
	Revenue	**Gross Profit**	Revenue	Gross Profit
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Bread and cakes	**475,354**	**166,839**	575,725	205,920
Moon cakes	**58,058**	**47,359**	67,550	54,834
Pastries	**80,309**	**45,977**	96,872	58,028
Other	**50,296**	**35,725**	64,899	45,836
	664,017	**295,900**	805,046	364,618

In 2018, the Group's revenue was approximately RMB664,017,000, representing a decrease of approximately 17.52% as compared with approximately RMB805,046,000 for 2017. The decrease in the revenue was mainly attributable to (i) the closure of 66 stores during 2018 under the strategy of continuously closing poorly-performing stores whose lease term has expired. Despite the opening of 4 new stores in 2018, the total number of stores fell by 62 from 648 as at the end of 2017 to 586 as at the end of 2018. As a result, our revenue was negatively affected by the decrease in the number of retail outlets and the short operation period of the new stores; and (ii) the rapid deterioration in brand image due to factors such as old-fashioned products, old stores and monotonous marketing channels. Given the diversified market competition, the Group recorded a negative of 10.8% in the growth rate of overall same-store sales throughout the year 2018. To sum up, the overall revenue declined in the year 2018 due to the decrease in retail outlets and negative growth rate of same-store sales.

In terms of geographical location, Shanghai remains the main source of the Group's revenue. Revenue from the Group's retail outlets in Shanghai accounted for approximately 58.21% of the Group's revenue for 2018, which remained at par as compared with 58.05% for 2017. Due to its particular geographical features, constant launch of new bakery brands and most fierce competition in the country, especially deteriorating results and constantly high cost of traditional physical bakery stores, we did not open any new stores in Shanghai, but only redecorated certain old stores to adjust operation modes, and we closed down 34 stores in Shanghai during the year 2018, representing 51.52% of the stores closure during the year. Revenue in Shanghai for the year ended 31 December 2018 decreased by approximately RMB80,756,000 or approximately 17.28% as compared with the year ended 31 December 2017. We also recorded a decrease in revenue in Jiangsu and Zhejiang provinces of approximately RMB36,632,000 and RMB23,641,000, respectively, or 16.34% and 20.83%, respectively, as compared with the year ended 31 December 2017.

In terms of product categories, in 2018, sales revenue from major products of bread and cakes decreased by approximately RMB100,371,000, or 17.43%, as compared with that for 2017, and sales revenue from pastries decreased by approximately RMB16,563,000, or 17.10% as compared with that for 2017. As bread, cakes and pastries are daily necessities, their sales are related to geographical convenience and affected by the decrease in the number of our retail stores. They also recorded almost the same percentage decreases due to the similar nature of these products. Other products including wheat albumin and jelly were also affected by the decrease in the number of retail outlets and recorded a decrease of approximately RMB14,603,000 or 22.50% (which was the highest among these categories) in sales due to the lack of marketing plans, as compared with 2017. The traditional consumption market of moon cakes remained sluggish in 2018, thus the revenue from moon cakes decreased by approximately RMB9,492,000, or 14.05%, as compared with that for 2017.

In terms of payment methods, the Company's sales revenue in retail outlets was settled either in cash (and bank cards, third party payment platform) or through redemption of coupons (and prepaid cards), both of which decreased in 2018 as compared with 2017 due to the decline in sales volume. In 2018, sales revenue settled by cash (and bank cards, third party payment platform) amounted to approximately RMB356,021,000, accounting for 53.62% of the total sales revenue, which was lower than the percentage of sales revenue through RMB456,538,000 in 2017 by approximately 22.02%. There is a slight increase in the proportion of sales revenue through redemption of coupons (and prepaid cards) in 2018 as compared with that in 2017, and the sales revenue through redemption of products amounted to approximately RMB307,996,000, accounting for 46.38% of the total sales revenue, which was lower than the RMB348,508,000 in 2017 by approximately 11.62%.

Gross Profit

The Company's gross profit was approximately RMB295,900,000 for the year ended 31 December 2018, representing a decrease of approximately 18.85% as compared with RMB364,618,000 for the year ended 31 December 2017. Due to the decrease in sales volume and the failure to reach the breakeven point of output, the gross profit margin for the year 2018 was approximately 44.56%, which slightly decreased as compared with 45.29% for the year ended 31 December 2017.

Other Income

Other income of the Group decreased by approximately RMB12,017,000 from approximately RMB21,566,000 for the year ended 31 December 2017 to approximately RMB9,549,000 for the year ended 31 December 2018, primarily attributable to the fact that the recognition of gain from wealth management products amounted to approximately RMB8,691,000 in 2017, while there is no investment was made in available-for-sale wealth management products of the same type in 2018, which resulted in a decrease of approximately RMB3,003,000 in interest income caused by the decrease in cash balance in 2018.

Impairment Losses, Net of Reversal

For the year ended 31 December 2018, the Group made provision of approximately RMB1,040,000 for bad debt for an operating agent of specific stores, approximately RMB1,000,000 for bad debt for outstanding amounts from certain manufactures and approximately RMB500,000 for bad debt for initial set-up fees of a pastry school.

Other Gains and Losses

The Group recorded other losses of approximately RMB58,022,000 for the year ended 31 December 2018, representing an increase in loss of approximately RMB55,455,000 as compared with other losses of approximately RMB2,567,000 for the year ended 31 December 2017. The change was mainly due to (i) an increase in provision for impairment loss of property, plant and equipment by approximately RMB38,195,000 in 2018 as compared with that for 2017, (ii) the provision for impairment of intangible assets, such as the trademark right of Hangzhou Danbi Foodstuff Co., Ltd. (a subsidiary of the Company), by approximately RMB8,932,000 in 2018, and (iii) the disposal gain on reinvestment of approximately RMB2,278,000 in 2017, which was absent in 2018.

Distribution and Selling Expenses

As a result of the closure of certain stores, selling expenses decreased by approximately RMB30,117,000 from approximately RMB432,055,000 for the year ended 31 December 2017 to approximately RMB401,938,000 for the year ended 31 December 2018. The annual salary expenses decreased by approximately RMB13,087,000 in 2018 as compared with that in 2017 due to the Group's sustained reduction of its operating scale and staff size as well as the government's slow adjustment of the minimum labour wage. Amortization of renovations, depreciation expenses, consumption of package material in stores, advertising expenses and rental expenses also decreased, along with the decrease in retail outlets, in 2018 as compared with that in 2017 by approximately RMB7,931,000, RMB3,936,000, RMB1,807,000, RMB1,796,000 and RMB1,187,000, respectively.

Administrative Expenses

Administrative expenses increased by approximately RMB694,000 from approximately RMB76,473,000 for the year ended 31 December 2017 to approximately RMB77,167,000 for the year ended 31 December 2018. The majority of administrative expenses reduced along with the reduced operating scale, of which professional consulting fee paid to the third parties decreased by RMB1,045,000 as compared with that for the previous period. The increase was primarily due to an increase of approximately RMB1,376,000 in salary expenses for recruiting talents in a bid to strengthen the Group's research and development ("**R&D**") and product manufacturing, and the depreciation expenses increased by approximately RMB1,381,000 in 2018 as compared with that in 2017 as the depreciation of some idle plant equipment was stated as administrative expenses.

Other Expenses

Other expenses decreased by approximately RMB265,000 from approximately RMB465,000 for the year ended 31 December 2017 to approximately RMB200,000 for the year ended 31 December 2018.

SHARE OF LOSS OF AN ASSOCIATE

Share of loss of an associate for the year ended 31 December 2017 was approximately RMB70,000, which was generated by recognition of investment losses.

Income Tax Expenses

Income tax expenses was approximately RMB3,208,000 in 2017 and was approximately RMB-2,243,000 in 2018. Such change was mainly due to the negative amount of income tax expenses caused by the return of deferred income tax liability as per accounting principles.

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

Net losses increased by approximately RMB103,521,000 from approximately RMB128,654,000 for the year ended 31 December 2017 to approximately RMB232,175,000 for the year ended 31 December 2018 due to the reasons stated above. Net profit margin decreased from -15.98% in 2017 to -34.97% in 2018.

ANALYSIS OF FINANCIAL POSITION

Inventory Turnover Days

The following table sets forth the inventory turnover days in 2018 and 2017:

	For the year ended 31 December	
	2018	2017
Inventory turnover days (Note)	**29**	25

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 an increase in the inventory turnover days due to lower sales though the amount of inventories at the end of 2018 was lower than that at the end of 2017.

Trade Receivables Turnover Days

The following table sets forth the trade receivables turnover days in 2018 and 2017:

	For the year ended 31 December	
	2018	2017
Trade receivables turnover days (Note)	**9**	7

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

Trade receivables mainly represent the outstanding receivables arising from revenue generated from principal businesses. As a result of the decrease in revenue in 2018, trade receivable turnover days increased slightly as compared with that in 2017.

Age of Trade Receivables

The following table sets forth an aging analysis of the trade receivables of the Company as at the dates indicated:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Age		
0 to 30 days	**10,934**	13,179
31 to 60 days	**662**	1,492
61 to 90 days	**263**	233
91 to 180 days	**1,707**	1,212
Over 180 days	**1,034**	128
	14,600	16,244

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 provide those sites usually collect the sales revenue on the Company's behalf 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 Administrative Measures for Single-Purpose Commercial Prepaid Cards (for Trial Implementation) under Provision No. 9 issued by the Ministry of Commerce in 2013. The relevant collateral deposited with banks according to the provision for the balance of the prepaid cards and coupons sold in 2018 was approximately RMB34,970,000, which was less than that of approximately RMB52,911,000 in 2017 due to the decrease in the balance of those prepaid cards and coupons being sold.

Trade Payables Turnover Days

The following table sets forth the trade payables turnover days in 2018 and 2017:

	For the year ended 31 December	
	2018	2017
Trade payables turnover days (Note)	**48**	43

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

Age of Trade Payables

The following table sets forth an aging analysis of the trade payables of the Company as at the dates indicated:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Age		
0 to 45 days	**37,881**	42,396
46 to 60 days	**2,380**	2,959
61 to 90 days	**58**	145
91 to 180 days	**635**	711
Over 180 days	**4,845**	5,552
	45,799	51,763

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.

Deposits from Customers

Deposits from customers mainly include payments received from customers for prepaid cards and coupons. In 2018, the sales amount of prepaid cards and coupons reduced as compared with that in 2017, therefore causing a decrease in the balance of prepaid cards and coupons by approximately RMB40,030,000.

Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments or capital assets as at 31 December 2018 and the date of this announcement.

Financial and Treasury Policy

The Group has adopted a prudent financial management approach towards its financial and treasury policies. Considering the year-on-year decline in cash positions and increasing changes in liquidity in the recent year, in addition to the possibility of advising our shareholders to inject working capitals, we continuously discussed with financial institutions on the obtaining of credit lines to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding, treasury and financial requirements from time to time so as to maintain a stable liquidity position.

Material Acquisitions and Disposals

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2018.

Significant Investment

The Board did not have any resolutions relating to significant external investment for the year ended 31 December 2018.

Dividend policy

As the Group recorded operating loss in recent years, and considering the competition risk of the industry, the management will take the principle of remaining funds as its dividend policy. Firstly, the Group with aim to improve the future financial structure, replenish working capital and develop industry chain. After the establishment of sound financial system and the achievement of business development opportunity, the management will determine the appropriate amount in aggregation for dividends distribution and propose the proportion of dividends distribution if idle capital exists, and submit the dividend distribution plan to the Board. The dividends will be distributed to all shareholders after the approval in general meeting, if required.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, cash and bank deposits amounted to approximately RMB182,132,000, representing a decrease of approximately RMB145,898,000 as compared with RMB328,030,000 as at 31 December 2017, which was mainly attributable to the net cash outflow of approximately RMB135,936,000 from operating activities during the year as a result of a decline in revenue and sales of prepaid cards and coupons. Net cash outflow from investing activities amounted to approximately RMB9,962,000, which was mainly due to expenses for establishment of new stores and plants. There was no net cash flow incurred from financing activities.

Our cash and bank deposits will be used to fund our operations and capital expenditures.

The current ratio as at 31 December 2018 was 65.94%, which was lower than 93.13% as at 31 December 2017.

LIABILITIES

Gearing Ratio

As at 31 December 2018 and 2017, the Group's gearing ratio, calculated by dividing total liabilities by total assets, was approximately 62.53% and 50.72%, respectively. The decrease in revenue, provision for asset impairment and decrease in sales revenue of prepaid cards and coupons during the year ended 31 December 2018 resulted in the decrease in cash balance, accelerated decrease in of assets and increase in the gearing ratio.

Bank Borrowings

As at 31 December 2018, the Group had no outstanding bank borrowings.

Banking Facilities

As at 31 December 2018, the Group had conditional banking facilities of RMB260,000,000 in total.

Debentures

As at 31 December 2018, the Group had not issued any debentures.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Payment Commitments

According to the lease contracts in relation to the Group's retail outlets, as at 31 December 2018, the Group's future minimum lease payment under non-cancellable leases amounted to approximately RMB185,456,000, while capital expenditure in relation to the acquisition of fixed assets including property, plant and equipment not included in the consolidated financial statements amounted to approximately RMB15,210,000.

Pledged Assets

As at 31 December 2018, none of the Group's assets were pledged.

Capital Structure

As at 31 December 2018, the Group had no bank borrowings, pledged assets and notes payable. Total equity amounted to approximately RMB298,756,000, representing a decrease of approximately 43.73% as compared with that for the previous year. As at 31 December 2018, 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 2018.

CAPITAL EXPENDITURES PLAN

Capital expenditures of the Group for the year ended 31 December 2018 were as follows:

Items		***RMB'000***
Sales network development	Purchases, new fitting-out and repairs	9,631
	Operation equipment	2,150
	Subtotal	11,781
Production capacity expansion	Plant	4,241
	Production equipment	2,077
	Subtotal	6,318
Capital expenditure for back office administration	IT software	563
Total capital expenditures		**18,662**

Capital expenditure arising from sales network development included the project of opening four outlets operated by the Group during 2018 and the external and internal maintenance of the existing outlets. Capital expenditure arising from production capacity expansion was mainly attributed to the expenses for plant construction projects in the Jiangning facility and acquisition of machinery and equipment for plants. Capital expenditure for back office administration was mainly related to the purchase of IT software.

HUMAN RESOURCES

In 2018, our continuous efforts to reduce the production and marketing scale and downsize the sales staff in stores led to a decrease in the number of our employees in plants. As at 31 December 2018, the Group's total number of employees amounted to 4,345 (as of 31 December 2017: 4,680), with the majority being sales staff in retail stores. Total annual payroll in 2018 amounted to approximately RMB280,055,000 (2017: RMB298,074,000). Although the amount of total annual payroll was lower than that of 2017, it still accounted for 42.18% of the revenue in 2018, and represented an increase as compared with 37.03% of revenue in 2017.

Due to our policy of continuous efforts to downsize employees in 2018, our work in human resources adjustment mainly focused on planned downsizing and coached job transfer supplemented by recruitment, in order to reduce the impact brought by personnel changes. Meanwhile, we also injected new employees to ensure steady transition and reasonably arranged human resources according to the potential needs of the Company in the future.

In terms of annual trainings, apart from routine lectures on production and marketing at the botton levels and inspection on actual work, we also sent staff to attend external lectures and learning camps to learn from experience of counterparties and have exchanges on application, in a bid to break away from the old lines of thinking, foster the online sales department's ability to integrate e-commerce and bakery marketing, divert customers and create earnings.

Regarding the remuneration policy, the remuneration of the Directors and general manager of the Company is decided by the Remuneration Committee in accordance with the remuneration policy and implemented upon approval by the Chairman of the Board, and that of other senior management members and employees is based on their experience, level of responsibility and general market conditions. In addition to fixed wages, our employees may be granted departmental and personal allowances and year-end bonuses subject to performance appraisal. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of our senior management members and other employees. The Group also encourages self-development of our employees and provides on-the-job training where appropriate.

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 is set out below:

Items	**Accumulated amount as of 31 December 2018** *(HK$'000)*
Opening new retail outlets	146,288
Expanding production capacity	142,662
Addition and improvement of the information technology systems and the research and development of new products	24,072
General working capital	35,680
Total	348,702

As at 31 December 2018, the balance of unutilised net proceeds amounted to approximately HK$8,098,000 and the unutilised net proceeds are temporarily placed as short term deposits with licensed institutions in Hong Kong.

FUTURE PROSPECTS

Market Outlook

From 2011 to 2017, the growth rate of the domestic bakery market decreased year by year from 15.2% to 10%. However, due to the huge industry output value and optimistic growth scale, an increasing number of brands have entered this industry in recent years. The industry features such as changing trends and low access thresholds have led to diversified uncertainties for bakery market players, but consumers can enjoy more surprises and delights from different operation modes, categories, tastes and services.

While riding on the bakery market trend as described above and catching up with the market demand, the bakery companies should also play an active role in market forecast, product innovation and education consumption so as to survive in a changing competitive environment.

As the mainstream consumers of the Western-style baking industry have rapidly changed to young customers, and traditional stable products fail to meet the needs of young generations in terms of taste, appearance and even brand tone, despite that they remain to be supported by older groups. In light of the foregoing, bakery chain companies should keep a close eye on the changes of tastes among bakery consumers. New generation consumers may have the following major trends:

(i) the majority of customers will be young women, and there will be a rapid increase in demand for delicate desserts and delicacies;

(ii) customers now mainly buy products at brunch time instead of buying products after work for breakfast for the next day;

(iii) online marketing will be more influential than offline promotion;

(iv) baking onsite is a must to ensure freshness;

(v) people will be less sensitive to the prices of festival products than to their quality and related services;

(vi) brand popularity will be a focus; and

(vii) emphasis will be placed on commercial packing.

It may be an opportunity for the traditional chain bakeries to turn to younger consumers and try to allocate resources to second- and third-tier cities, and even allocate their products to campuses to test the market for the youth and thereby rebuild brand features.

Research and Development Prospects

Upon analysis of the decline in sales revenue, the Group's R&D strategies tend to focus more on improving products which aims to develop featured brands with limited resources. Our R&D efforts concentrate on the following: (i) intensified R&D in cold chain products. Fitting the feature of WeChat wall-based bakery stores promoted by the Group in recent years, the Company will develop new cold chain raw materials and improve the taste of new products to enhance the competitiveness of the new operating model; (ii) R&D in occasion-themed products. Festivals are always peak sales periods of bakery products. To attract more customers, the Company's R&D department will work out annual plans that offer different featured products tailored for different festivals including Children's Day, Women's Day, Valentine's Day, Christmas Day and National Day, so as to cater to consumers' needs; (iii) improvement in commercial package. Routine normal consumption relies on intuition and first impression. To improve sales chance, the Company also makes efforts to design eye-catching product packages; and (iv) development of young people-oriented products. Innovative products come out constantly in the network era, but the Company's featured products remain unchanged. In response to the younger trend of the bakery product consumption market, it is a basic requirement to launch new products more frequently at a quicker pace. The Group will focus on the market change, introduce new products which are innovative in appearance, formula or process, and discover and build suitable brand products.

EVENTS AFTER THE REPORTING PERIOD

After conclusion of the current fiscal year, there were no significant events after the reporting period up to the date of this announcement which has an impact on the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DIVIDEND

As there is no profit for the year ended 31 December 2018, the Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: 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 2018 to 31 December 2018 as set out in the CG Code, except for the following deviations:

Code Provision A.2.1 of the CG Code

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibility between the chairman and the chief executive officer should be separate and should not be performed by the same individual. However, Mr. Tien-An Lo stepped down as the chief executive officer of the Company (the "**CEO**") on 1 November 2018. On the same day, Mr. Yong Ning Zhu was appointed as the executive Director and CEO, and he was subsequently appointed as the chairman of the Board on 17 December 2018. Therefore, the Company currently does not have a separate chairman and CEO, and Mr. Yong Ning Zhu performs these two roles. Given the vast experience of Mr. Yong Ning Zhu, the Board believes that vesting the roles of both Chairman and CEO in Mr. Yong Ning Zhu will provide the Company with strong leadership and will not impair the balance of power and authority between the Board and the management of the Company. Notwithstanding the above, the Board understands that the roles of chairman and CEO shall be independent from each other to ensure balanced distribution of power and authorization, without facing the situation that power is concentrated in one person. Therefore, the Group will proactively identify appropriate talent with rich experience in dealing with relevant businesses of the Group, and appoint him as soon as practicable to manage the daily operation of the Group.

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, including the existing Directors and the former Directors who had been Directors during the year ended 31 December 2018, and all Directors, including the existing Directors and the former Directors who had been Directors during the year ended 31 December 2018, have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

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 2018 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 2018 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
Yong Ning Zhu
Chairman

Shanghai, the PRC, 29 March 2019

As at the date of this announcement, the Board comprises twelve Directors, of which five are executive Directors, namely Mr. Yong Ning Zhu (Chairman), Mr. Ming-Tien Lin, Mr. I-Sheng Chan, Ms. Jo-Hsien Chiang and Mr. Chi Ming Xu, three are non-executive Directors, namely Mr. Chi-Ming Chou, Mr. Dun-Ching Hung and Mr. Weiguang Shi and four are independent non-executive Directors, namely, Ms. Wanwen Su, Mr. Meilin Zhou, Mr. Shi Chen and Mr. Chen Zhou.