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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019 CHANGE OF CHAIRMAN OF THE BOARD AND AUTHORIZED REPRESENTATIVE UNDER THE LISTING RULES

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2019

- Revenue decreased by approximately 16.88% to approximately RMB552 million (2018: approximately RMB664 million).
- Gross profit decreased by approximately 17.77% to approximately RMB243 million (2018: approximately RMB296 million).
- Loss attributable to owners of the Company decreased by approximately 3.39% to loss of approximately RMB224 million (2018: loss of approximately RMB232 million).
- Basic loss per share amounted to approximately RMB22.2 cents (2018: basic loss per share of approximately RMB23.0 cents).
- The Board does not recommend the payment of a final dividend for 2019 (2018: 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 2019 together with the comparative figures for the year ended 31 December 2018 are as follows:

Reference is made to the announcement of the Company dated 31 March 2020 in connection with the unaudited annual results for the year ended 31 December 2019 (the "**Unaudited Annual Results Announcement**"). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

AUDITED ANNUAL RESULTS

The Board announces that the Group's auditor, RSM Hong Kong, has completed its audit of the annual results of the Group for the year ended 31 December 2019 and issued a disclaimer opinion in which the extract of RSM Hong Kong's independent auditor's report is set out in pages 17 to 18. The audited annual results for the year ended 31 December 2019 were approved by the Board on 22 May 2020, details of which are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** ***RMB'000***	2018 *RMB'000*
Revenue	*4*	**551,941**	664,017
Cost of sales		**(308,615)**	(368,117)
Gross profit		**243,326**	295,900
Other income, gains/(losses)	*5*	**4,953**	(48,673)
Allowance for impairment losses on financial assets, net	*6*	**(34,661)**	(2,540)
Selling and distribution expenses		**(341,994)**	(401,938)
Administrative expenses		**(74,308)**	(77,167)
Loss from operations		**(202,684)**	(234,418)
Finance costs	*7*	**(20,792)**	–
Loss before tax		**(223,476)**	(234,418)
Income tax (expense)/credit	*8*	**(821)**	2,243
Loss and total comprehensive income for the year attributable to owners of the Company		**(224,297)**	(232,175)
Loss per share	*10*		
Basic and diluted *(cents)*		**(22.2)**	(23.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**362,174**	369,273
Prepaid land lease payments		**–**	71,226
Right-of-use assets		**207,518**	–
Goodwill		**–**	–
Intangible assets		**3,747**	5,034
Deposits		**9,811**	10,111
Deposits for purchases of non-current assets		**954**	13,607
		584,204	469,251
Current assets			
Prepaid land lease payments		**–**	2,147
Inventories		**27,233**	26,494
Trade and other receivables	*11*	**24,722**	59,708
Amounts due from related companies		**890**	22,720
Pledged bank deposits		**–**	34,970
Bank and cash balances		**74,931**	182,132
Total current assets		**127,776**	328,171
TOTAL ASSETS		**711,980**	797,422
EQUITY AND LIABILITIES			
Share capital		**8**	8
Reserves		**74,451**	298,748
Total equity		**74,459**	298,756
LIABILITIES			
Non-current liabilities			
Deferred revenue		**548**	1,016
Lease liabilities		**65,469**	–
		66,017	1,016
Current liabilities			
Contract liabilities		**348,535**	385,755
Bank borrowings		**35,950**	–
Lease liabilities		**59,735**	–
Trade and other payables	*12*	**120,328**	105,225
Amounts due to related companies		**429**	318
Dividend payable		**4,708**	4,708
Current tax liabilities		**1,819**	1,644
Total current liabilities		**571,504**	497,650
TOTAL EQUITY AND LIABILITIES		**711,980**	797,422
NET CURRENT LIABILITIES		**443,728**	169,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 address of its principal place of business is No.33 Jinshajiang Road, Putuo District, Shanghai 200062, The People's Republic of China.

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 also functional currency of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group incurred a net loss of approximately RMB224,297,000 during the year ended 31 December 2019, and as of 31 December 2019, the Group had net current liabilities of approximately RMB443,728,000. Its current borrowings and lease liabilities amounted to approximately RMB35,950,000 and approximately RMB59,735,000 respectively while its cash and cash equivalents amounted to approximately RMB74,931,000 only. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(a) The banking facilities from the Group's bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:

    (i) Negotiation for external financing, including but not limited to, obtain further bank facilities.

    (ii) Negotiation with the banks for the restructure of repayment schedules of the existing bank borrowings so as to extend the repayment due date for one year and extend the existing bank facilities for one more year.

(b) The Group will be able to complete the disposal of land use right and buildings in Nanjing, which requires executing a definitive agreement with the potential buyers and obtaining the necessary approvals from the shareholders; and

(c) The Group will be able to implement operational plans to control costs and generate sufficient operating cash flows to meet its current and future obligations. Relevant actions include collection of outstanding receivables, utilisation the capacity of the production plants, and closure of loss-making retail outlets.

The directors have reviewed the Group's cash flow projections prepared by the management that covered a period of not less than twelve months from 31 December 2019. Having taken into account the above-mentioned plans and measures, the directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

However, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. The Group's ability to continue as a going concern depends on the generation of adequate financing and operating cash flows through the successful fulfillment of the following plans:

(a) negotiating with the banks successfully for (i) obtaining additional bank facilities; and (ii) extending the repayment due date of the existing bank borrowings that might become overdue in next twelve-month period for one year and extend the existing bank facilities for one more year;

(b) timely executing a formal sale and purchase agreement with the potential buyers and completing the disposal of land use right and buildings located in Nanjing. The successful completion would entail entering into a definitive agreement that sets out the details and completion conditions of the transaction, including the assets to be disposed and the consideration and also obtaining the necessary approvals from the shareholders in order to complete the transaction;

(c) timely implementing operational plans to control costs and generate sufficient operating cash flows to meet its current and future obligations. Relevant actions include collection of outstanding receivables, utilisation the capacity of the production plants, and closure of loss-making retail outlets.

Should the Group fail to achieve the above-mentioned plans and measures, it may be unable to continue as a going concern, and adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 16.10% per annum. The average incremental borrowing rates applied by the relevant group entities range from 8.70% to 18.80% per annum.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	185,456
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(25,688)
	159,768
Less: total future interest expenses	(28,963)
Lease liabilities recognised as at 1 January 2019	130,805
Of which are:	
Current lease liabilities	56,830
Non-current lease liabilities	73,975
	130,805

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

Refundable deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

			Effects of adoption of HKFRS 16		
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	*Note*	**Carrying amount as at 31 December 2018** *RMB'000*	**Re-classification** *RMB'000*	**Re-cognition of leases** *RMB'000*	**Carrying amount as at 1 January 2019** *RMB'000*
Assets					
Right-of-use assets		–	73,373	148,903	222,276
Prepaid land lease payments	*(i)*	73,373	(73,373)	–	–
Deposits	*(ii)*	10,111	–	(536)	9,575
Trade and other receivables	*(iii)*	59,708	–	(19,829)	39,879
Liabilities					
Lease liabilities		–	–	130,805	130,805
Trade and other payables	*(iv)*	105,225	–	(2,267)	102,958

Note:

(i) Upfront payments for leasehold lands in the People's Republic of China (the "**PRC**") were classified as prepaid land lease payments as payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to RMB2,147,000 and RMB71,226,000 respectively were classified to right-of-use assets.

(ii) Refundable deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustment to fair value as at 1 January 2019 amounting to RMB536,000 was included in right-of-use assets.

(iii) Upfront payments for some leases was classified as prepayments as at 31 December 2018. Upon application of HKFRS 16, prepayments amounting to RMB19,829,000 was reclassified to right-of-use assets.

(iv) Provision of effective rent were previously recognised under HKAS 17 as at 31 December 2018. Under HKFRS 16, provision of effective rent as at 1 January 2019 amounting to RMB2,267,000 were reclassified to right-of-use assets.

(c) Impact of the financial results and cash flows of the Group

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases under HKAS 17 as at 31 December 2019, the Group recognised right-of-use assets amounting to RMB207,518,000, including RMB71,226,000 of land use rights and RMB136,292,000 of leased properties respectively. Lease liabilities of RMB125,204,000 were recognised with related right-of-use assets of RMB136,292,000 as at 31 December 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation, impairment losses on right-of-use assets and finance costs, instead of operating lease charges. During the year ended 31 December 2019, the Group recognised RMB79,755,000 of depreciation, RMB4,076,000 of impairment losses on right-of-use assets and RMB20,301,000 of finance costs from these leases.

4. REVENUE

Disaggregation of revenue from contracts with customers

The Group has only one reportable operating segment. The chief operating decision maker ("**CODM**") and the Chief Executive Officer of the Company reviews the Group as a whole and internal reports are reported to the CODM including 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.

	2019	2018
	RMB'000	*RMB'000*
Types of goods		
Bread and cakes	**407,651**	475,354
Moon cakes	**31,559**	58,058
Pastries	**72,210**	80,309
Others	**40,521**	50,296
	551,941	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.

Revenue from major customers

No single customer contributed over 10% of the total revenue of the Group for the years ended 31 December 2019 and 2018.

5. OTHER INCOME, GAINS/(LOSSES)

	2019	2018
	RMB'000	*RMB'000*
Interest income on bank deposits	**1,008**	2,504
Imputed interest income on deposits	**331**	–
Interest income on deposits paid for a potential acquisition of a land	**6,685**	–
Total interest income	**8,024**	2,504
Government grants *(Note)*	**3,185**	6,577
Release of asset-related government grants	**468**	468
Fair value gains on financial assets at FVTPL	**–**	619
Loss on written off of property, plant and equipment	**(29)**	–
Loss on disposal of property, plant and equipment	**(13)**	(534)
Loss on disposal of scrap and other materials	**(271)**	(335)
Exchange gain	**120**	2,493
Impairment losses on property, plant and equipment	**(2,807)**	(52,598)
Impairment losses on right-of-use assets	**(4,076)**	–
Impairment losses on intangible assets	**–**	(8,932)
Rental income	**140**	118
Release of lease liabilities	**4,351**	–
Written off of the right-of-use assets	**(4,101)**	–
Others	**(38)**	947
	4,953	(48,673)

Note:

Government grants of approximately RMB3,185,000 (2018: RMB6,577,000) were received from local government authorities for encouraging production and improving technology, of which the entitlement was unconditional.

6. ALLOWANCE OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

	2019	2018
	RMB'000	*RMB'000*
Impairment losses recognised on:		
– Other receivables	**–**	2,540
– Deposits for purchase of non-current assets	**11,741**	–
– Amount due from a related company	**22,920**	–
	34,661	2,540

7. FINANCE COST

	2019	2018
	RMB'000	*RMB'000*
Interest expenses on lease liabilities	**20,301**	–
Interest expenses on bank borrowings	**491**	–
	20,792	–

8. INCOME TAX EXPENSE/(CREDIT)

Income tax has been recognised in profit or loss as following:

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for the year – the PRC	**607**	36
Under-provision in prior years	**214**	161
	821	197
Deferred tax	**–**	(2,440)
	821	(2,243)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 December 2019 and 2018.

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%).

Pursuant to the PRC law on Corporate Income Tax, 10% withholding income tax will be levied on foreign investors for dividend distribution from foreign invested enterprises' profit earned after 1 January 2008.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the income tax rate applicable to respective tax jurisdictions is as follows:

	2019	2018
	RMB'000	*RMB'000*
Loss before tax	**(223,476)**	(234,418)
Tax calculated at the rates applicable to respective tax jurisdictions	**(55,052)**	(58,479)
Tax effect of income that is not taxable	**(2,667)**	(1,761)
Tax effect of expenses that are not deductible	**3,832**	622
Tax effect of temporary differences not recognised	**7,826**	12,054
Tax effect of tax losses not recognised	**46,668**	45,160
Under-provision in prior years	**214**	161
Income tax expense/(credit)	**821**	(2,243)

9. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2019	2018
	RMB'000	*RMB'000*
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(224,297)**	(232,175)

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,010,188**	1,010,188

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same.

The computation of the diluted loss per share did not assume the exercise of the Company's outstanding share option as the exercise price of those share options was higher than the average market price for shares for the years ended 31 December 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**14,050**	14,994
Allowance for impairment losses	**(394)**	(394)
	13,656	14,600
Other receivables	**6,293**	5,812
Prepaid lease payments for retail outlets	**2,306**	39,369
Prepayments	**5,007**	2,467
Allowance for impairment losses of other receivables	**(2,540)**	(2,540)
	11,066	45,108
Total trade and other receivables	**24,722**	59,708

The Group generally allows an average credit period ranged from 30 to 60 days for department stores and supermarkets, and 30 days for cash consumer card issuers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
0 to 30 days	**13,383**	10,934
31 to 60 days	**94**	662
61 to 90 days	**165**	263
91 to 180 days	**–**	1,707
Over 180 days	**14**	1,034
	13,656	14,600

As at 31 December 2019, an aggregate allowance was made for estimated irrecoverable trade receivables of approximately RMB394,000 (2018: RMB394,000).

Reconciliation of allowance for impairment loss:

	2019 *RMB'000*	2018 *RMB'000*
At 1 January under HKFRS 9	**394**	394
Allowance for the year	**–**	–
At 31 December	**394**	394

The carrying amounts of the Group's trade receivables are denominated in RMB.

12. TRADE AND OTHER PAYABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade payables	**57,535**	45,799
Accruals	**11,619**	12,095
Payroll and welfare payables	**15,489**	14,737
Other tax payables	**5,868**	13,836
Payables for acquisition of property, plant and equipment	**15,486**	5,342
Other payables	**14,331**	13,416
Total trade and other payables	**120,328**	105,225

The Group normally is allowed a credit term of 30 to 60 days by its suppliers. The aging analysis of trade payables based on the date of invoice date, is as follows:

	2019 *RMB'000*	2018 *RMB'000*
0 to 45 days	**46,797**	37,881
46 to 60 days	**6,460**	2,380
61 to 90 days	**1,829**	58
91 to 180 days	**456**	635
Over 180 days	**1,993**	4,845
	57,535	45,799

The carrying amounts of the Group's trade payables are denominated in RMB.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed by RSM Hong Kong, as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the following material differences between the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement.

Item for the year ended 31 December 2019	*Note*	**Disclosure in this announcement** *RMB'000* (audited)	**Disclosure in the Unaudited Annual Results Announcement** *RMB'000* (unaudited)	**Difference** *RMB'000*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Revenue	*(a)*	551,941	548,892	3,049
Other income, gains/(losses)	*(b)*	4,953	10,984	(6,031)
Administrative expenses	*(c)*	(74,308)	(70,633)	(3,675)
Finance costs	*(d)*	(20,792)	(8,631)	(12,161)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Non-current assets				
Property, plant and equipment	*(e)*	362,174	358,135	4,039
Right-of-use assets	*(f)*	207,518	224,377	(16,859)
Current assets				
Trade and other receivables	*(f)*	24,722	30,980	(6,258)
Current Liabilities				
Contract liabilities	*(g)*	348,535	353,918	(5,383)
Lease liabilities	*(f)*	59,735	68,024	(8,289)
Trade and other payables	*(h)*	120,328	107,974	12,354
Non-current Liabilities				
Lease liabilities	*(f)*	65,469	64,903	566

Notes:

(a) The difference in revenue of RMB3,049,000 was mainly due to adjustments in relation to recognition of revenue arising from the forfeited coupons and prepaid cards.

(b) The difference in other income, gains/(losses) of RMB6,031,000 was mainly due to adjustments in relation to imputed interest income on deposits of approximately RMB331,000, impairment losses on property, plant and equipment of approximately RMB2,807,000 and impairment losses on right-of-use assets of approximately RMB4,076,000, respectively.

(c) The difference in administrative expenses of RMB3,675,000 was mainly due to the adjustments in relation to the understatement of real estate tax and the understatement of staff costs.

(d) The difference in finance costs of RMB12,161,000 was mainly due to the adjustments in relation to the understatement of interest expenses on lease liabilities.

(e) The difference in property, plant and equipment of RMB4,039,000 was mainly due to the adjustments in relation to the understatement of property, plant and equipment of approximately RMB6,846,000 and impairment losses on property, plant and equipment of approximately RMB2,807,000, respectively.

(f) The differences in right-of-use assets of RMB16,859,000, lease liabilities of RMB7,723,000 and trade and other receivables of RMB6,258,000 were mainly due to the adjustments in relation to the impacts of initial adoption of HKFRS 16.

(g) The difference in contract liabilities of RMB5,383,000 was mainly due to adjustments in relation to revenue mentioned in note (a) and the reclassification of approximately RMB2,334,000 from contract liabilities to other payables.

(h) The difference in trade and other payables of RMB12,354,000 was mainly due to the adjustments in relation to the provision of payables for acquisition of non-current assets of RMB5,533,000 mentioned in note (e) and provision of payroll and welfare payables of 6,523,000, respectively.

EXTRACT FROM RSM HONG KONG'S INDEPENDENT AUDITOR'S REPORT

The "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" are extracted from RSM Hong Kong's independent auditor's report for the year ended 31 December 2019 as follows:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. Material Uncertainties Relating to Going Concern

We draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately RMB224,297,000 during the year ended 31 December 2019, and as of 31 December 2019, the Group had net current liabilities of approximately RMB443,728,000. Its current borrowings and lease liabilities amounted to approximately RMB35,950,000 and approximately RMB59,735,000 respectively while its cash and cash equivalents amounted to approximately RMB74,931,000 only. These events and conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have undertaken a number of measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its debts which are set out in note 2 to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these measures, which are subject to significant uncertainties, including (i) whether the Group is able to obtain additional financing and extension of the existing borrowings as and when required as negotiations have not been concluded as of the date of this report; (ii) whether the Group is able to dispose of its land use right and buildings located in Nanjing, as the completion of the proposed disposal is subject to the execution of a definitive agreement with the potential buyers and approval by the shareholders which have not been completed and obtained respectively as of the date of this report; and (iii) whether the Group is able to implement its operational plans for control of costs and to generate adequate cash flow from operations, the achievability of which depends on the market environment which is subject to the significant uncertainties arising from the COVID-19 outbreak.

Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by other auditors (the "**Predecessor Auditors**"), who expressed a qualified opinion on those financial statements on 29 March 2019. The Predecessor Auditors were unable to satisfy themselves about the recoverability of processing prepayments of RMB22,029,000 and deposits paid of RMB11,741,000 to a related party and 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.

These amounts were fully provided for during the year ended 31 December 2019. We were unable to obtain sufficient appropriate audit evidence regarding the recoverability of processing prepayments and deposits paid to a related party as at 31 December 2018. Any adjustments to the allowance for impairment losses on these opening balances that might have been found necessary would have an effect on the Group's net assets as at 31 December 2018 and its results for the year ended 31 December 2019.

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 2019 and 2018 is set out as follows:

	For the years ended 31 December			
	2019		2018	
	Revenue	**Gross Profit**	Revenue	Gross Profit
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(audited)	**(audited)**	(audited)	(audited)
Bread and cakes	**407,651**	**144,605**	475,354	166,839
Moon cakes	**31,559**	**23,559**	58,058	47,359
Pastries	**72,210**	**44,421**	80,309	45,977
Other	**40,521**	**30,741**	50,296	35,725
	551,941	**243,326**	664,017	295,900

In 2019, the Group's revenue was approximately RMB551,941,000, representing a decrease of approximately 16.88% as compared with approximately RMB664,017,000 for 2018. The decrease in the revenue was mainly due to: (I) the closure of 117 stores during 2019 under the strategy of accelerating the closure of poorly-performing stores whose lease term has expired in the light of the operating costs. Despite the opening of 7 new stores in 2019, the total number of stores fell by 110 from 586 as at the end of 2018 to 476 as at the end of 2019. 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. (II) the Group's overall same-store sales growth rate for the year being -10.07% resulting from factors such as the old-fashioned marketing model, the decline in brand efficiency, the obsolescence of physical stores and the failure in developing other sales channels effectively. (III) degression with each passing year in the performance of seasonal products such as moon cakes, as a result of less desired market demands as compared to the past and the existence of diversified alternative products. In the face of multiple stagnant sales promotions, the overall operating income for the year continued to decline.

In terms of geographical location, Shanghai has always been the main source of the Group's turnover. Due to the sharp increase in the number of closed stores in other operating regions of the Group, Shanghai contributed approximately 66.29% to the Group's revenue in 2019, representing an increase of approximately 8.01% as compared with 58.21% in 2018. Shanghai ranked first nationwide with regard to fierce competition of bakery brands. Given the encroachment of online stores on the performance of physical stores, the revenue of retail outlets was at low ebb. Coupled with the high cost, the business was under dual pressure and was especially difficult to survive. As such, the current period, except for the routine simple renovation or the adjustment of interior fittings and equipment for some retail outlets, no new retail outlets was opened, and 43 retail outlets were closed, accounting for 36.75% of the number of stores closed throughout the year. For the year ended 31 December 2019, revenue from Shanghai decreased by approximately RMB20,645,000, or approximately 5.34% as compared with that for the year ended 31 December 2018; the revenue from Jiangsu Province and Zhejiang Province decreased by approximately RMB67,690,000 and RMB23,741,000, representing a decrease of 36.08% and 26.42%, respectively, as compared to the year ended 31 December 2018, mainly due to the exit of quite a few retail outlets in Suzhou area in Jiangsu Province and the large-margin closure of stores in Jiaxing and Ningbo areas in Zhejiang Province.

In terms of product categories, in 2019, sales revenue from major products of bread and cakes decreased by approximately RMB67,703,000, or 14.24%, as compared with that for 2018, and sales revenue from pastries decreased by approximately RMB8,099,000, or 10.08% as compared with that for 2018. As bread, cakes and pastries are daily necessities, their geographical convenience and number of patrons are of critical significance to sales results. both sales volume and revenue of such products decreased as affected by the decrease in the number of retail outlets during the year; in terms of other categories include products such as wheat albumin and jelly, in order to increase sales volume, in the second half of 2019, some products were promoted at low price. At the same time, as the advance distribution plan was still in the introduction stage, no significant increase in the shipment volume was recorded. As a result, the sales revenue decreased by approximately RMB9,775,000 or approximately 19.43% as compared to that of 2018. The turnover of moon cakes decreased by approximately RMB26,499,000 as compared to 2018, representing a decrease of approximately 45.64%, which was the most significant decrease among all categories, as affected by the decreasing demand during traditional festivals and the diversification of alternative products.

In terms of payment methods, the Group'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 2019 as compared with 2018 due to the decline in sales volume. In 2019, sales revenue settled by cash (and bank cards, third party payment platform) amounted to approximately RMB284,692,000, accounting for 51.58% of the total sales revenue, which was lower than the percentage of sales revenue through RMB356,021,000 in 2018 by approximately 20.04%. There is a slight increase in the proportion of sales revenue through redemption of coupons (and prepaid cards) in 2019 as compared with that in 2018, and the sales revenue through redemption of products amounted to approximately RMB267,249,000, accounting for 48.42% of the total sales revenue, which was lower than the RMB307,996,000 in 2018 by approximately 13.23%.

Gross profit

The Group's gross profit was approximately RMB243,326,000 for the year ended 31 December 2019, representing a decrease of approximately 17.77% as compared with RMB295,900,000 for the year ended 31 December 2018. Due to the decrease in purchase of materials and timely downsizing of manpower in view of the decrease in sales volume and difficulties in amortisation of fixed cost, the gross profit margin for the year 2019 was approximately 44.09%, which slightly decreased as compared with 44.56% for the year ended 31 December 2018.

Other income, gains/(losses)

Other income, gains/(losses) of the Group for the year ended 31 December 2019 amounted to approximately RMB4,953,000, representing an increase of approximately RMB53,626,000 as compared with other losses of approximately RMB48,673,000 for the year ended 31 December 2018, which was mainly due to (i) the recognition of fruits of approximately RMB6,685,000 from the recovery of the interests on the principal of the land deposit as a result of the cancellation of the previous land acquisition plan from the government in 2019, (ii) the provision for impairment losses on property, plant and equipment decreased by approximately RMB49,791,000 in 2019 as compared to 2018, (iii) the provision for impairment of intangible assets of the Company of approximately RMB8,932,000 in 2018, which was not made in the current period, (iv) the provision for impairment losses on right-of-use assets of approximately RMB4,076,000 upon assessment over the operating conditions of the retail outlets after recognising the leased stores as assets in accordance with the requirements of the HKFRS 16 during the current period, and (v) the decrease in government supporting fund of approximately RMB3,392,000 as compared to 2018.

Allowance of impairment losses on financial assets, net

For the year ended 31 December 2019, the Group made an allowance of impairment losses of approximately RMB11,741,000 on deposits for purchase of non-current assets and approximately RMB22,920,000 on amount due from a related company, Shanghai Yi Pin Xuan Foodstuff Co., Ltd.

Selling and distribution expenses

As a result of the closure of certain stores, selling and distribution expenses decreased by approximately RMB59,944,000 from approximately RMB401,938,000 for the year ended 31 December 2018 to approximately RMB341,994,000 for the year ended 31 December 2019. In particular, the rental expenses reduced by approximately RMB97,383,000 due to closure of retail outlets and the initial adoption of HKFRS 16, the annual salary expenses decreased by approximately RMB15,683,000 due to staff downsizing, and the utilities and packaging expenses also lowered accordingly by approximately RMB4,595,000 and RMB2,050,000, respectively. In addition, the depreciation increased by approximately RMB62,068,000 due to the provision for depreciation of the leased assets in accordance with the requirements under HKFRS 16 as compared to the previous period when HKFRS 16 was not applicable.

Administrative expenses

Administrative expenses decreased by approximately RMB2,859,000 from approximately RMB77,167,000 for the year ended 31 December 2018 to approximately RMB74,308,000 for the year ended 31 December 2019. The decrease was mainly due to the reduction of approximately RMB4,437,000 in the salary expenses as a result of the scale-down of administrative department during the current period; and the amortisation of prepaid land lease payments of approximately RMB2,146,000 made in 2018, while the amortisation of prepaid land lease payments was reclassified to depreciation of right-of-use assets upon the initial adoption of HKFRS 16; in accordance with the regulation of Administrative Measures for Single-Purpose Commercial Prepaid Cards issued by the Ministry of Commerce, the Company purchased performance guarantee insurance for the balance of advance payment of customers in 2019, resulting in an increase of insurance premium of approximately RMB2,231,000.

Finance costs

Finance costs for the year ended 31 December 2019 amounted to approximately RMB20,792,000, comprised of derivative interest expenses of approximately RMB20,301,000 charged upon leased liabilities as recognised in accordance with HKFRS 16 and bank loan interests of approximately RMB491,000.

Income tax (expense)/credit

In 2019, income tax expenses amounted to approximately RMB821,000, representing an increase of approximately RMB3,064,000 as compared to income tax credit amounting to approximately RMB2,243,000 in 2018, which was mainly due to the reversal of deferred income tax liabilities according to the accounting principles in 2018, resulting in negative income tax.

Loss and total comprehensive loss for the year attributable to owners of the Company

Net losses decreased by approximately RMB7,878,000 from approximately RMB232,175,000 for the year ended 31 December 2018 to approximately RMB224,297,000 for the year ended 31 December 2019 due to the reasons stated above. Net profit margin decreased from -34.97% in 2018 to -40.64% in 2019.

ANALYSIS OF FINANCIAL POSITION

Inventory Turnover Days

The following table sets forth the inventory turnover days in 2019 and 2018:

	For the year ended 31 December	
	2019	2018
	(audited)	(audited)
Inventory turnover days *(Note)*	**32**	29

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 year and multiplied by 365 days.

The Group's inventories consist of raw materials and finished goods. There was an increase in the inventory turnover days due to lower sales in line with the amount of inventories at the end of 2019 was higher than that at the end of 2018.

Trade Receivables Turnover Days

The following table sets forth the trade receivables turnover days in 2019 and 2018:

	For the year ended 31 December	
	2019	2018
	(audited)	(audited)
Trade receivables turnover days *(Note)*	**9**	9

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, with turnover days remain the same for both 2019 and 2018.

AGE OF TRADE RECEIVABLES

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(audited)	(audited)
Age		
0 to 30 days	**13,383**	10,934
31 to 60 days	**94**	662
61 to 90 days	**165**	263
91 to 180 days	**–**	1,707
Over 180 days	**14**	1,034
	13,656	14,600

The Group'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 Group's behalf and pay the same to the Group within 30 to 60 days thereafter.

PLEDGED BANK DEPOSITS

The pledged bank deposits were the collateral deposited with banks pursuant to the regulation of Administrative Measures for Single-Purpose Prepaid Cards (for Trial Implementation) issued by the Ministry of Commerce of the PRC on 21 September 2012. Upon evaluation during the year, the Group chose another plan in accordance with laws, in which commercial property insurance was bought instead for the relevant collateral. Therefore, the Group withdrew the balance in the relevant collateral account for the year ended 31 December 2019, representing the relevant collateral deposited with banks according to the provision for the balance of the prepaid cards and coupons sold for the year ended 31 December 2018.

TRADE PAYABLES TURNOVER DAYS

The following table sets forth the trade payables turnover days in 2019 and 2018:

	For the year ended 31 December	
	2019	2018
	(audited)	(audited)
Trade payables turnover days *(Note)*	**61**	48

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 Group as at the dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(audited)	(audited)
Age		
0 to 45 days	**46,797**	37,881
46 to 60 days	**6,460**	2,380
61 to 90 days	**1,829**	58
91 to 180 days	**456**	635
Over 180 days	**1,993**	4,845
	57,535	45,799

The credit terms for trade payables due to suppliers of the Company generally range from 30 to 60 days. Slight adjustments were made to the payment terms of certain suppliers in 2019 in view of the cash flow control.

CONTRACT LIABILITIES

Contract liabilities mainly include payments received from customers for prepaid cards and coupons. In 2019, the sales amount of prepaid cards and coupons reduced as compared with that in 2018, therefore causing a decrease in the balance of prepaid cards and coupons by approximately RMB37,220,000.

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 2019 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, in order to maintain sound liquidity, we have established long-term relationships with financial institutions to secure credit facilities and ensure the integrity of the Group's assets so as to meet financing guarantee requirements.

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 2019.

Significant investment

The Board did not have any resolutions relating to significant external investment for the year ended 31 December 2019.

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 2019, bank and cash balances amounted to approximately RMB74,931,000, representing a decrease of approximately RMB107,201,000 as compared with RMB182,132,000 as at 31 December 2018. The net cash outflow of approximately RMB53,086,000 from operating activities during the year was mainly due to a decline in revenue and the corresponding decrease in relevant expenditures; the net cash outflow of approximately RMB17,423,000 from investing activities was mainly due to the expenses for plant construction; net cash outflow of approximately RMB36,692,000 from financing activities was due to rental expenses and bank borrowings.

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

The current ratio as at 31 December 2019 was 22.36%, which was lower than 65.94% as at 31 December 2018.

LIABILITIES

Gearing Ratio

As at 31 December 2019 and 2018, the Group's gearing ratio, calculated by dividing total liabilities by total assets, was approximately 89.54% and 62.53%, respectively. The decrease in revenue, increase in bank borrowings and decrease in sales revenue of prepaid cards and coupons during the year ended 31 December 2019 resulted in the decrease in bank and cash balances, accelerated decrease in assets and increase in the gearing ratio.

Bank Borrowings

As at 31 December 2019, the Group had bank borrowings of RMB35,950,000 at an interest rate adopted for general lending in the financial sector.

Banking Facilities

As at 31 December 2019, the Group had banking facilities of RMB43,740,000 (2018: RMB260,000,000), of which, a balance of RMB7,790,000 was not utilised.

Debentures

As at 31 December 2019, the Group had not issued any debentures.

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities.

Payment Commitments

Upon adoption of HKFRS 16, the lease commitment in relation to the Group's retail outlets is recognised as lease liabilities. As at 31 December 2018, the Group's future minimum lease payment under non-cancellable leases amounted to approximately RMB185,456,000. As at 31 December 2019, Capital expenditure in relation to the acquisition of fixed assets including property, plant and equipment not included in the audited consolidated financial statements amounted to approximately RMB11,552,000.

Pledged Assets

As at 31 December 2019, the Group provided certain self-owned commercial properties with a carrying amount of approximately RMB20,114,000 as collateral for bank borrowings. (2018: Nil)

Capital Structure

As at 31 December 2019, the Group had pledged bank loans of approximately RMB35,950,000 and lease liabilities of approximately RMB125,204,000. Total equity amounted to approximately RMB74,459,000, representing a decrease of approximately 75.08% as compared with that for the previous year. As at 31 December 2019, the capital structure of the Company comprised 1,010,188,000 ordinary shares of HK$0.00001 each (the "Shares").

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 2019.

Capital Expenditures Plan

Capital expenditures of the Group in 2019 were as follows:

Item		*RMB'000*
Development of sales channels	Purchases, new fitting-out and repairs	5,626
	Operation equipment	2,598
	Subtotal	8,224
Production capacity expansion	Plant	16,664
	Production equipment	1,314
	Subtotal	17,978
Capital expenditure for back office administration	IT software	–
Total capital expenditures		26,202

Capital expenditures arising from sales network development included those for the project of 7 new stores of the Group opened in 2019, and for the exterior appearance, interior decoration and equipment installation or maintenance of existing stores; and the capital expenditure arising from production capacity expansion was mainly attributed to the investment in plant construction in the Jiangning area and acquisition of production facilities for the plant.

HUMAN RESOURCES

In 2019, as certain stores were closed, the Group promoted staff reduction measures and did not fill any vacancies. The Group's employees have mainly been sales staff in retail stores. After the downsizing, the number of plants and managers also decreased as a result of the change in the operating scale. As at 31 December 2019, the Group's total number of employees amounted to 3,306 (as at 31 December 2018: 4,345), with the majority still being sales staff in retail stores. Although the total staff costs was approximately RMB282,457,000.

Given the continuous efforts to downsize employees in recent years, the Group focused on strengthening labor relations and legal consultation in human resources. While reducing manpower, the Group also took into account of harmony and compliance so as to reduce internal impacts. In-service employees were trained for multiple functions, enabling them to replace and provide supports for each other even in different positions. Through such measures, the Group aimed to achieve a reasonable operating scale, protect the legitimate rights and interests of employees and maintain harmonious labor relations.

In order to improve future performance, the Group strategically needs to try new business forms such as online sales and OEM of bakery products that were different from those in the past. In anticipation of immediate effect from the promotion of new businesses, the Group targeted to recruit related high-level business personnel in 2019, and will continue to seek suitable candidates from its peers in near term, so as to inject new blood into the Group, remove its disadvantages, and bring vitality to the Group.

The remuneration policy for the directors of the Company (the "**Directors**"), senior management members and other employees is determined based on their experiences, responsibilities and general market conditions. Certain members of the Board hold their offices without remuneration. In addition to fixed salaries, the employees may be granted allowances and year-end bonuses subject to departmental and personal performance appraisal. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors, senior management members and other employees.

FUTURE PROSPECTS

Market Outlook

The domestic bakery market has experienced rapid changes. In addition to the enriching tastes and appearances of products, the retail stores have devoted more efforts on the customer experiences during their operations. Although physical stores are still the mainstream sales venues, the consumer groups under the age of 35 account for over 70% of the market share. Younger customer base has led to the closer integration of online and offline sales, created diversified consumption scenarios, and forced the traditional bakery industry to accelerate adjustment and transformation to survive. The online consumption has become more predominant after the outbreak of the COVID-19 pandemic in the end of 2019.

The market size of bakery industry continued to grow in the PRC. In 2018, there were more than 1,800 bakery companies in the PRC, generating RMB360 billion of revenue, and representing an annual growth rate of 9%. Due to the fierce competition among individual companies, they suffered from contracting profit and faced the challenges of business transformation. At present, the industry is facing the following trends:

(i) The bakery brands integrating mega experience stores, supply chain platform and new retail in the metropolitan areas are challenging the traditional bakery stores and outlets.

(ii) Individual stores or chain brands will strive to serve a single community and provide the best products and services to a specific community.

(iii) Bakery manufacturers will focus on integrating supply chain platforms based on intelligent automated factories, providing quality finished and semi-finished products with strict quality control and reasonable cost for downstream manufacturers.

(iv) Low-sugar, low-fat and low-calorie healthy bakery products with aesthetic appeal will continue to rise in the market.

(v) Differentiation, personalisation and regionalisation will be the focuses in product development.

The Group has advantages in serving communities or institutions in close proximity to each single store, producing and manufacturing, and ensuring the health and quality of products. However, in terms of innovative business model, promotion of intelligent management, product and store aesthetics as well as product differentiation, the Group is still at a disadvantage and needs to re-integrate its resources to further rise to the challenges from the future market trend.

Research and Development Outlook

In the face of the ever-changing competitive market for products, most peers in the industry have focused on the research and development of new products or imitation of popular overseas products to enhance the consumption desire of end customers. As a traditional brand in the industry, the Group maintains its overall impression of innovative and fashionable individual products. In order to balance the research and development costs and economic benefits, the Group will follow the pragmatic principle for research and development. Based on the existing operating advantages, it will deeply optimise the existing process and apply accordingly at different levels:

(i) Developing occasion-themed and seasonal products: The Group will research and develop various foods for festivals and folk customs, and strengthen regional features, such as cakes for Chinese New Year, cakes for Mother's Day, and biscuits for Children's Day, and, following the promotion and sale mode for mooncakes in the Mid-Autumn Festival, seek for large scale sales of products during the occasion-themed promotion through existing stores and online sales channels, making some differences from the modern Western-style pastries.

(ii) Improving the delivery and sales process of cold chain products: Since 2017, the Group has promoted the on-site production and sales of products through micro baking in some stores, so as to cater for the market demand in odor and temperature. Currently, the distribution and delivery process and on-site treatment of frozen dough and semi-finished products are being adjusted to further optimise the taste and enhance the consumption experience.

(iii) Assessing the small-quantity and multi-batch production model: Mass production capacity has always been one of the Company's advantages. In recent years, with the decline in sales volume and the increasingly idle capacity, the Company has difficulties in amortisation of huge fixed cost. In order to boost production and improve costs, the Group is assessing the feasibility of OEM business, which will give priority to the production ability of multiple products and multiple batches, and require research and confirmation on the vertical production process such as allocation, manufacturing process, product, formula and manpower. Such model may develop a new series of revenue sources for the Group.

EVENTS AFTER THE REPORTING PERIOD

Due to the outbreak of the COVID-19 in early 2020 as well as the governmental measures imposed in the PRC, various retail outlets in the PRC have temporarily suspended the operations. Even though certain retail outlets have resumed their operations, they are still not yet operating at their normal capacity. The management of the Group will pay close attention to the development of the COVID-19 outbreak and perform further assessment of its financial impact. Given the dynamic nature of these circumstances, the impact on the Group's financial positions and operating results could not be reasonably estimated as at the date these consolidated financial statements are authorised for issue.

The COVID-19 outbreak is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

DIVIDEND

As there is no profit for the year ended 31 December 2019, the Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will make further announcement on the date of annual general meeting of the Company and book closure date.

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 2019, and all Directors, including the existing Directors and the former Directors who had been Directors during the year ended 31 December 2019, have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

REVIEW OF AUDITED ANNUAL RESULTS

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 2019 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 audited annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.christine.com.cn. The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

CHANGE OF CHAIRMAN OF THE BOARD AND AUTHORIZED REPRESENTATIVE UNDER THE LISTING RULES

The Board hereby announces that Mr. Dun-Ching Hung ("**Mr. Hung**"), the current non-executive Director, chairman of the Board and Authorized Representative under the Listing Rules, will resign from his positions as the chairman of the Board and the Authorised Representative under the Listing Rules, but remains as a non-executive Director. Mr. Chun Bin Xu ("**Mr. Xu**"), an independent non-executive Director, has been appointed as the chairman of the Board and the Authorized Representative under the Listing Rules with effect from 22 May 2020.

As a result of the above changes, the Authorized Representatives under the Listing Rules now comprise Mr. Xu and Mr. Man Yun Wah.

The biographical details of Mr. Xu, the newly appointed chairman of the Board and Authorized Representative under the Listing Rules, is set out as follows:

Biographical details of Mr. Chun Bin Xu

Mr. Chun Bin Xu（徐純彬）, aged 56, graduated from the Business School of Nanjing University with an EMBA degree. Mr. Xu was appointed as an independent non-executive Director on 30 August 2019. He has been working in the financial and investment departments of the financial institutions for a long term and has extensive experience in financial management and financial investments. Mr. Xu joined Industrial and Commercial Bank of China ("**ICBC**") in 1983, and he had been appointed as the financial director and an officer of Nanjing Sub-branch, vice president of Eastern Branch, president of Xiaguan Branch, vice president of Nanjing Branch and president of Yangzhou Branch of ICBC Since 1994. Mr. Xu had been the president of Nanjing Branch of Bank of Shanghai, the chairman of Jiangning District Shangyin Village Bank and the general manager of Cash-Center of the of Bank of Shanghai Head office since 2015.

Except as disclosed in this announcement, (i) Mr. Xu has not held any directorship in any listed public company or had any major appointments and professional qualifications in the last three years preceding the date of his appointment; and (ii) he does not hold any other position with the Company and other members of the Group. As of the date of this announcement, except as disclosed in this announcement, Mr. Xu neither has any relationship with any directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company and other members of the Group, nor has any interests in any shares, underlying shares or debentures (as defined under Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong) of the Company.

The annual emolument of Mr. Xu has yet to be determined and will be determined by the Board with reference to his duties and responsibilities, remuneration policy of the Company as well as the prevailing market conditions. He will hold the office until the next annual general meeting of the Company and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the "**Articles**") of the Company.

Except as disclosed in this announcement, the Board is not aware of any other matters that need to be brought to the attention of the shareholders of the Company and the Stock Exchange, and there is no other information required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules in relation to the appointment of Mr. Xu as an independent non-executive Director.

The Board wishes to express its warm welcome to Mr. Xu on his appointment, and would like to express its sincere gratitude to Mr. Hung for his outstanding contributions to the development of the Company during his tenure as the chairman of the Board and Authorized Representative under the Listing Rules.

By Order of the Board
Christine International Holdings Limited
Chun Bin Xu
Chairman

Shanghai, the PRC, 22 May 2020

As at the date of this announcement, the executive Directors are Mr. Yong Ning Zhu, Mr. Ming-Tien Lin, Mr. I-Sheng Chan, Ms. Jo-Hsien Chiang and Mr. Chien-Li Tseng; the non-executive Directors are Mr. Dun-Ching Hung, Mr. Chi-Ming Chou and Mr. Weiguang Shi; and the independent non-executive Directors are Ms. Wanwen Su, Mr. Chun Bin Xu (Chairman), Mr. Huai Jiang and Ms. Ming Hua Chen.