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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)

CONTINUING CONNECTED TRANSACTIONS MASTER PROCESSING AGREEMENT

References are made to (i) the Company's announcement dated 26 August 2014 and circular dated 7 November 2014 regarding, among other matters, the 2014 CCT Agreements entered into by the Group and Yi Pin Xuan on 26 August 2014; (ii) the Company's announcement dated 8 November 2016 and circular dated 29 November 2016 regarding, among other matters, the Renewed CCT Agreements entered into by the Group and Yi Pin Xuan on 8 November 2016; and (iii) the Company's poll results announcement dated 16 December 2016 regarding the poll results of the resolution on the Renewed CCT Agreements.

As set out in the Company's poll results announcement dated 16 December 2016, the resolution for approving the Renewed CCT Agreements was not passed by the independent Shareholders by way of poll. As such, the Renewed CCT Agreements did not become effective, and the Company will not proceed with the transactions contemplated thereunder.

For the reasons as set out in the section headed "Reasons for and Benefits of the Continuing Connected Transactions" in this announcement, on 30 December 2016, Shanghai Christine (a wholly-owned subsidiary of the Company) and Yi Pin Xuan (an associate of Mr. Tien-An Lo, being an executive Director) entered into the New Yi Pin Xuan Master Processing Agreement, pursuant to which the Group will provide all ingredients (including flour, sugar and oil, etc.) to Yi Pin Xuan for Yi Pin Xuan to process them into Christine-branded products (mainly bread and cakes, with others including pastries) for the Group in accordance with the prescribed quality standards as set out in the New Yi Pin Xuan Master Processing Agreement.

As the applicable percentage ratios in respect of the the New Yi Pin Xuan Master Processing Agreement exceed 0.1% but are less than 5%, the New Yi Pin Xuan Master Processing Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

References are made to (i) the Company's announcement dated 26 August 2014 and circular dated 7 November 2014 regarding, among other matters, the 2014 CCT Agreements entered into by the Group and Yi Pin Xuan on 26 August 2014; (ii) the Company's announcement dated 8 November 2016 and circular dated 29 November 2016 regarding, among other matters, the Renewed CCT Agreements entered into by the Group and Yi Pin Xuan on 8 November 2016; and (iii) the Company's poll results announcement dated 16 December 2016 regarding the poll results of the resolution on the Renewed CCT Agreements.

As each of the 2014 CCT Agreements will expire on 31 December 2016, and the Company intended to continue carrying on the transactions contemplated thereunder, on 8 November 2016, the Contracted Subsidiaries and Yi Pin Xuan entered into the Renewed CCT Agreements, namely:

- (i) the Renewed Yi Pin Xuan Master Supply Agreement, pursuant to which the Group would supply to Yi Pin Xuan, and Yi Pin Xuan will purchase from the Group, certain ingredients (including flour, sugar and oil) for the production of Christine-branded products (mainly bread and cakes, with others including pastries); and
- (ii) the Renewed Yi Pin Xuan Master Processing Agreement, pursuant to which Yi Pin Xuan will provide to the Group, and the Group will procure from Yi Pin Xuan, processing services and processed Christine-branded products (mainly bread and cakes, with others including pastries).

Please refer to the Company's circular dated 29 November 2016 for details of these agreements.

The Renewed CCT Agreements were subject to the approval by the independent Shareholders at the Company's extraordinary general meeting on 16 December 2016. As set out in the Company's poll results announcement dated 16 December 2016, the resolution for approving the Renewed CCT Agreements was not passed by the independent Shareholders by way of poll. As such, the Renewed CCT Agreements did not become effective, and the Company will not proceed with the transactions contemplated thereunder.

For the reasons as set out in the section headed "Reasons for and Benefits of the Continuing Connected Transactions" below, on 30 December 2016, Shanghai Christine (a wholly-owned subsidiary of the Company) and Yi Pin Xuan (an associate of Mr. Tien-An Lo, being an executive Director) entered into the New Yi Pin Xuan Master Processing Agreement, pursuant to which the Group will provide all ingredients (including flour, sugar and oil, etc.) to Yi Pin Xuan for Yi Pin Xuan to process them into Christine-branded products (mainly bread and cakes, with others including pastries) for the Group in accordance with the prescribed quality standards as set out in the New Yi Pin Xuan Master Processing Agreement. Accordingly, Yi Pin Xuan will only provide processing services in respect of such Christine-branded products to the Group under the New Yi Pin Xuan Master Processing Agreements, which will be different from the purchase of certain ingredients by Yi Pin Xuan from the Group, and subsequently the procurement of finished products by the Group from Yi Pin Xuan under the 2014 CCT Agreements and the Renewed CCT Agreements. The major terms of the New Yi Pin Xuan Master Processing Agreement are summarized as follows:

The New Yi Pin Xuan Master Processing Agreement

- Date : 30 December 2016
- Duration of transactions : 1 January 2017 – 31 December 2019 (Three years)
- Parties : Shanghai Christine
Yi Pin Xuan
- Relationship with the connected persons : Yi Pin Xuan is wholly-owned by Gourmet Holding Co., Ltd., which, in turn, is wholly-owned by Ms. Ching-Ying Huang Lo, being the sister of Mr. Tien-An Lo, an executive Director, the Chairman and substantial Shareholder of the Company. Accordingly, Yi Pin Xuan is an associate of Mr. Tien-An Lo and a connected person of the Company.
- Nature of transactions : The Group will provide all ingredients (including flour, sugar and oil, etc.) to Yi Pin Xuan for Yi Pin Xuan to process them into Christine-branded products (mainly bread and cakes, with others including pastries) for the Group in accordance with the prescribed quality standards as set out in the New Yi Pin Xuan Master Processing Agreement. Accordingly, Yi Pin Xuan will only provide processing services in respect of such Christine-branded products.
- Pricing basis : The pricing for the processing services to be provided has been determined on an arm's length basis between the parties. For each Christine-branded product processed by Yi Pin Xuan, the Group will pay Yi Pin Xuan a processing fee which is 12% of the retail price of that Christine-branded product. Such processing fee is determined with reference to (i) the production cost (including labour costs, costs of processing equipment and related expenses) of each Christine-branded product to be borne by Yi Pin Xuan, which is estimated to be 10% of the retail price of each Christine-branded product; and (ii) a profit margin to be charged by Yi Pin Xuan, which is 2% of the retail price of each Christine-branded product.

Such processing fees shall not, in any event, be higher than the fees for services with comparable nature and scale charged by other independent third party service providers. Before placing processing orders, the Group will make reference to the quotations from two or more independent third party service providers. The processing fees and terms agreed between the Group and Yi Pin Xuan shall not be higher and not less favourable to the Group than those available from independent third party service providers in the ordinary and usual course of business. The Group maintains regular contact with processing service providers of pastries products, and will keep abreast of the latest processing fees of such products for the purpose of ensuring that the pricing of the transactions contemplated under the New Yi Pin Xuan Master Processing Agreement are fair and reasonable.

- Payment terms : 30 days after the issue of the invoices, or prepayment
- Historical transaction amounts : There were no historical payments of merely processing fees in respect of the Christine-branded products between the Group and Yi Pin Xuan during 2014, 2015 and 2016. The historical transaction amounts under each of the 2014 Yi Pin Xuan Master Supply Agreement and 2014 Yi Pin Xuan Master Processing Agreement are set out below for reference:

Historical transaction amounts under the 2014 Yi Pin Xuan Master Supply Agreement:

| | <u>RMB'000</u> |
|--|----------------|
| For the year ended 31 December 2014 | 4,481 |
| For the year ended 31 December 2015 | 5,056 |
| For the eleven months ended 30 November 2016 | 5,794 |

Historical transaction amounts under the 2014 Yi Pin Xuan Master Processing Agreement:

| | <u>RMB'000</u> |
|--|----------------|
| For the year ended 31 December 2014 | 124,174 |
| For the year ended 31 December 2015 | 112,500 |
| For the eleven months ended 30 November 2016 | 96,860 |

| | | <u>RMB'000</u> |
|-------------|--|----------------|
| Annual caps | : For the year ending 31 December 2017 | 20,000 |
| | For the year ending 31 December 2018 | 20,000 |
| | For the year ending 31 December 2019 | 20,000 |

Given the Company plans to sell those Christine-branded products to be processed by Yi Pin Xuan in the south of Jiangsu Province and Jiading District in Shanghai, the PRC, which are close to the location of Yi Pin Xuan's factory, the Company has determined the above annual caps based on (i) its annual sales of bread and cakes in those areas for the year ending 31 December 2016 and estimated sales of bread and cakes for the three years ending 31 December 2019, respectively (such annual and estimated sales are approximately RMB167 million per year); and (ii) the agreed processing fees which amount to 12% of the retail price per Christine-branded product.

INTERNAL CONTROLS

Pricing terms

In order to ensure that specific pricing terms are observed and followed in conducting the transactions contemplated under the New Yi Pin Xuan Master Processing Agreement, when the Group requests for processing services to be provided by Yi Pin Xuan, the finance department will check the proposed processing services fees to be paid to Yi Pin Xuan against (i) the estimated retail prices of the Christine-branded products to be processed; and (ii) the prices as stated in the quotations issued by the independent third party service providers, to ensure that the relevant pricing terms under the New Yi Pin Xuan Master Processing Agreement have been observed. Before settlement of the relevant invoices, the finance department of the Group will also check against the processing service orders to ensure that the specific pricing terms have been followed.

The finance department will report to the management on a regular basis.

Annual caps

With respect to the supervision and monitoring of the annual caps of the transactions contemplated under the New Yi Pin Xuan Master Processing Agreement, the finance department of the Company will collect the actual amounts of the transactions on a daily basis and check against the respective annual caps. The finance department will report to the corporate governance committee of the Company on or before the 10th day of each month. If the anticipated actual amount of the transactions will be close to the annual caps, the finance department will alert the corporate governance committee. The corporate governance committee will report to the Board and make recommendation where applicable.

The independent non-executive Directors will review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company will also engage its auditors to report on the continuing connected transactions every year in accordance with Rule 14A.56 of Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the pricing policy and the methods and procedures taken by the Group can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group has been selling certain ingredients to Yi Pin Xuan for the production of Christine-branded products, and purchasing finished products from Yi Pin Xuan, under the 2014 CCT Agreements. To continue carrying on such transactions, the Group entered into the Renewed CCT Agreements with Yi Pin Xuan on 8 November 2016, subject to approval by the independent Shareholders. As set out in the Company's poll results announcement dated 16 December 2016, the resolution for approving the Renewed CCT Agreements was not passed by the independent Shareholders. As such, the Renewed CCT Agreements did not become effective, and the Company will not proceed with the transactions contemplated thereunder.

Having considered the poll results, the Directors had since then been exploring alternative means for the production of those Christine-branded products which were originally planned to be procured under the Renewed Yi Pin Xuan Master Processing Agreement (the "**Christine Products**"), which include shifting production in-house, engaging independent third party producers, as well as revisiting and further negotiating the arrangement and related terms with Yi Pin Xuan. Currently, the Directors consider it in the interests of the Company and the Shareholders to continue engaging Yi Pin Xuan to process some of the Christine Products but under the processing arrangement instead of the existing arrangement, while producing the remaining Christine Products in-house, based on the following reasons and benefits:

Costs control

Under the 2014 CCT Agreements and the Renewed CCT Agreements, although Yi Pin Xuan will purchase certain ingredients from the Group for the production of the Christine Products, Yi Pin Xuan will also acquire other ingredients itself. Therefore, the Group has no absolute control on the costs and selection of those other ingredients purchased by Yi Pin Xuan from other parties, which will eventually affect the selling price of the Christine Products. However, under the New Yi Pin Xuan Master Processing Agreement, the Group will supply to Yi Pin Xuan all the required ingredients. Accordingly, the Group will be in a better position to control the costs of the Christine Products and hence the retail prices of the products.

Further, as a result of the above, the Group expects to achieve a gross profit margin of 40% or more from the sales of the Christine Products to be processed under the New Yi Pin Xuan Master Processing Agreement. Such gross profit margin is generally higher than that of other similar products such as bread and cakes processed by the Group itself.

Quality control

For reasons similar to those set out in the paragraph headed "Costs control" above, under the 2014 CCT Agreements and the Renewed CCT Agreements, the Group has no absolute control on the quality of those other ingredients purchased by Yi Pin Xuan from other parties. However, under the New Yi Pin Xuan Master Processing Agreement, the Group will supply to Yi Pin Xuan all the required ingredients. Accordingly, the Group will be able to check the quality of all the ingredients before supplying to Yi Pin Xuan and hence reduce the risk of having low-quality ingredients in the processing process that may affect the overall quality of the Christine Products.

Capabilities of Yi Pin Xuan

As disclosed in the section headed “Reasons for and Benefits of the Renewed Continuing Connected Transactions” in the Company’s circular dated 29 November 2016, based on the Group’s business development and business conditions, the Group intends to strengthen the confidence and loyalty of its consumers by striving for food safety and quality of its products. As such, the Group highly emphasizes on the consistency of quality of the products supplied and/or processed by its suppliers. Given the Group has been sourcing the Christine-branded products from Yi Pin Xuan, based on the Group’s experience with Yi Pin Xuan, Yi Pin Xuan understands the Group’s specific requirements well and can efficiently fulfill the Group’s requirements with stable, consistent and quality supply of products. Further, Yi Pin Xuan has also developed the required techniques to process certain popular Christine-branded products. Besides, Yi Pin Xuan’s factory is conveniently located in Jiading District of Shanghai, which is near the south of Jiangsu Province, and the Group operates approximately 130 retail outlets in the south of Jiangsu Province and Jiading District of Shanghai. Accordingly, the Company considers that the processed products can be delivered to the Group’s retail outlets at a time-saving and cost-effective manner, while maintaining their freshness and quality. The Group believes that the transactions contemplated under the New Yi Pin Xuan Master Processing Agreement will enable the Group to use the processing services of Yi Pin Xuan, leveraging on the quality assurance and the stable supply in response to the Group’s business and operation needs, and the increasing customer requirements for improved quality and food safety, so as to increase the competitiveness of the Company.

Resources allocation

The Group requires time to shift the production of the remaining Christine Products in-house (including but not limited to the adjustment of production plans, training of the Company’s own workers and setting up and testing of machineries and equipment). Further, the Company has planned to reserve part of its production capacity for the production of new types of bread commencing in 2017. Having considered the aforesaid, the Directors consider that engaging Yi Pin Xuan to process parts of the Christine Products under the processing arrangement, while producing the remaining Christine Products in-house, enables the Group to meet its production needs, as well as allows a better allocation and utilization of the Group’s production capacities, which is in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the annual caps for the transactions under the New Yi Pin Xuan Master Processing Agreement are fair and reasonable, the entering into of these transactions is in the Group’s ordinary and usual course of business and the terms of the New Yi Pin Xuan Master Processing Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Mr. Tien-An Lo, an executive Director, the Chairman and substantial Shareholder of the Company, has material interests in the New Yi Pin Xuan Master Processing Agreement and the transactions contemplated thereunder, and he has abstained from voting on the Board resolutions approving the same (including the annual caps).

Save for the above, no other Directors have a material interest in the New Yi Pin Xuan Master Processing Agreement and the transactions contemplated thereunder and need to abstain from voting on the Board resolutions approving the same.

LISTING RULES IMPLICATIONS

Yi Pin Xuan is wholly-owned by Gourmet Holding Co., Ltd., which, in turn, is wholly-owned by Ms. Ching-Ying Huang Lo, being the sister of Mr. Tien-An Lo, an executive Director, the Chairman and substantial Shareholder of the Company. Accordingly, Yi Pin Xuan is an associate of Mr. Tien-An Lo and a connected person of the Company, and the entering into of the New Yi Pin Xuan Master Processing Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the New Yi Pin Xuan Master Processing Agreement exceed 0.1% but are less than 5%, the New Yi Pin Xuan Master Processing Agreement is subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the requirements of annual review of transactions contemplated under the New Yi Pin Xuan Master Processing Agreement as set out in Rule 14A.55 of the Listing Rules and will re-comply with the relevant Listing Rules requirements if any of the caps is exceeded or, when the agreement is renewed or, when there is a material change to the terms of the New Yi Pin Xuan Master Processing Agreement.

INFORMATION OF THE COMPANY AND THE PARTIES TO THE NEW YI PIN XUAN MASTER PROCESSING AGREEMENT

The Company is a leading bakery chain operator in the PRC, principally engaged in the operation of retail chain selling bakery products.

Shanghai Christine is principally engaged in the production and sale of cakes and bakery products.

Yi Pin Xuan is principally engaged in the production of cakes and other bakery products.

DEFINITIONS

Unless otherwise defined, the following expressions shall bear the following meanings.

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| “2014 CCT Agreements” | collectively, the 2014 Yi Pin Xuan Master Supply Agreement and the 2014 Yi Pin Xuan Master Processing Agreement |
| “2014 Yi Pin Xuan Master Processing Agreement” | the master processing agreement dated 26 August 2014 entered into among Shanghai Christine, Shanghai Shuanghong Bakery, Shanghai Ji Yuan De, Nanjing Christine, Hanzhou Christine, Ningbo Christine, Hangzhou Danbi and Yi Pin Xuan, pursuant to which Yi Pin Xuan agreed to process and produce Christine-branded products for the Group |

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| “2014 Yi Pin Xuan Master Supply Agreement” | the master supply agreement dated 26 August 2014 entered into among Shanghai Christine, Shanghai Shuanghong Bakery, Shanghai Ji Yuan De, Nanjing Christine, Hangzhou Christine, Ningbo Christine, Hangzhou Danbi and Yi Pin Xuan, pursuant to which the Group agreed to provide to Yi Pin Xuan ingredients for the production of cakes and other bakery products including flour, sugar and oil |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors of the Company |
| “Company” | Christine International Holdings Limited, a company incorporated in the Cayman Islands on 11 March 2008 with limited liability |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Contracted Subsidiaries” | collectively, Shanghai Christine, Shanghai Shuanghong Bakery, Shanghai Ji Yuan De, Shanghai Sweet Art, Nanjing Christine, Hangzhou Christine, Ningbo Christine, and Hangzhou Danbi |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hangzhou Christine” | Hangzhou Christine Foodstuff Co., Ltd.* (杭州克莉絲汀食品有限公司), a limited liability company incorporated under the laws of the PRC on 17 November 2003 and a wholly-owned subsidiary of the Company |
| “Hangzhou Danbi” | Hangzhou Danbi Foodstuff Co., Ltd.* (杭州丹比食品有限公司), a limited liability company incorporated under the laws of the PRC on 19 May 1998 and a wholly-owned subsidiary of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Nanjing Christine” | Nanjing Christine Foodstuff Co., Ltd.* (南京克莉絲汀食品有限公司), a limited liability company incorporated under the laws of the PRC on 18 July 2002 and a wholly-owned subsidiary of the Company |
| “New Yi Pin Xuan Master Processing Agreement” | the master processing agreement dated 30 December 2016 entered into between Shanghai Christine and Yi Pin Xuan, details of which are set out under “The New Yi Pin Xuan Master Processing Agreement” in this announcement |

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| “Ningbo Christine” | Ningbo Christine Foodstuff Co., Ltd.* (寧波克莉絲汀食品有限公司), a limited liability company incorporated under the laws of the PRC on 19 March 2014 and a wholly-owned subsidiary of the Company |
| “PRC” or “China” | the People’s Republic of China, but for the purposes of this announcement only, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Renewed CCT Agreements” | collectively, the Renewed Yi Pin Xuan Master Supply Agreement and the Renewed Yi Pin Xuan Master Processing Agreement |
| “Renewed Yi Pin Xuan Master Processing Agreement” | the master processing agreement dated 8 November 2016 entered into among the Contracted Subsidiaries and Yi Pin Xuan, details of which are set out under “Renewal of Continuing Connected Transactions Agreements – 2. The Renewed Yi Pin Xuan Master Processing Agreement” in the Company’s circular dated 29 November 2016 |
| “Renewed Yi Pin Xuan Master Supply Agreement” | the master supply agreement dated 8 November 2016 entered into among the Contracted Subsidiaries and Yi Pin Xuan, details of which are set out under “Renewal of Continuing Connected Transactions Agreements – 1. The Renewed Yi Pin Xuan Master Supply Agreement” in the Company’s circular dated 29 November 2016 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shanghai Christine” | Shanghai Christine Foodstuff Co., Ltd.* (上海克莉絲汀食品有限公司), a limited liability company incorporated under the laws of the PRC on 19 January 1993 and a wholly-owned subsidiary of the Company |
| “Shanghai Ji Yuan De” | Shanghai Ji Yuan De Foodstuff Co., Ltd.* (上海吉元德食品有限公司), a limited liability company incorporated under the laws of the PRC on 8 November 1993 and a wholly-owned subsidiary of the Company |
| “Shanghai Shuanghong Bakery” | Shanghai Shuanghong Bakery Co., Ltd.* (上海雙紅麵包有限公司), a limited liability company incorporated under the laws of the PRC on 18 March 1998 and a wholly-owned subsidiary of the Company |

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| “Shanghai Sweet Art” | Shanghai Christine Sweet Art Foodstuff Co., Ltd.* (上海克莉絲汀甜蜜藝術食品有限公司), a limited liability company incorporated under the laws of the PRC on 6 June 2006 and a wholly-owned subsidiary of the Company |
| “Share(s)” | ordinary share(s) with nominal value HK\$0.00001 each in the share capital of the Company |
| “Shareholders” | shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Yi Pin Xuan” | Shanghai Yi Pin Xuan Foodstuff Co., Ltd.* (上海一品軒食品有限公司), a limited liability company incorporated under the laws of the PRC on 26 September 2001, which is wholly-owned by Gourmet Holding Co., Ltd., which, in turn, is wholly-owned by Ms. Ching-Ying Huang Lo, being the sister of Mr. Tien-An Lo, the executive Director, the Chairman and substantial Shareholder of the Company and therefore, a connected person of the Company |
| “%” | percent |

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

Shanghai, PRC, 30 December 2016

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

* *For identification purpose only*