Qinqin Foodstuffs Group (Cayman) Company Limited
親親食品集團(開曼)股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1583)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE

Consolidated Income Statement	**For the year ended 31 December**		
	2020	2019	**% of**
	RMB'000	*RMB'000*	**change**
Revenue	**792,829**	690,852	14.8%
Operating profit	**24,452**	76,618	-68.1%
Profit attributable to shareholders	**17,660**	81,187	-78.2%
Earnings per share			
— Basic	**RMB0.026**	RMB0.125	
— Diluted	**RMB0.026**	RMB0.125	

Consolidated Balance Sheet	**As at 31 December**		
	2020	2019	**% of**
	RMB'000	*RMB'000*	**change**
Cash and bank balances	**711,018**	732,033	-2.9%
Bank borrowing	**70,199**	NIL	100.00%
Net current assets	**492,577**	661,494	-25.5%
Net assets	**1,335,958**	1,146,760	16.5%

KEY FINANCIAL RATIOS	**31 December 2020**	31 December 2019	**Change (% points)**
Gross profit margin	**31.7%**	35.4%	-3.7
Return on equity	**1.3%**	7.1%	-5.8
Current ratio (times)	**2.0**	4.1	
Finished goods turnover days	**25 days**	18 days	
Trade receivables turnover days	**4 days**	4 days	

RESULTS

The Board of Directors of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**792,829**	690,852
Cost of goods sold	*4*	**(541,707)**	(446,358)
Gross profit		**251,122**	244,494
Distribution and selling expenses	*4*	**(145,182)**	(118,930)
Administrative expenses	*4*	**(101,008)**	(81,152)
Net impairment losses on financial assets		**(1,453)**	(542)
Other income and other gains — net	*5*	**20,973**	32,748
Operating profit		**24,452**	76,618
Finance income	*6*	**17,163**	30,065
Finance costs	*6*	**(13,020)**	(437)
Finance income — net		**4,143**	29,628
Share of net loss of investments accounted for using the equity method		**(2,871)**	(1,891)
Profit before income tax		**25,724**	104,355
Income tax expense	*7*	**(8,064)**	(23,168)
Profit for the year, all attributable to shareholders of the Company		**17,660**	81,187
Earnings per share for profit attributable to shareholders of the Company	*8*		
— Basic earnings per share (expressed in RMB per share)		**RMB0.026**	RMB0.125
— Diluted earnings per share (expressed in RMB per share)		**RMB0.026**	RMB0.125

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**17,660**	81,187
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**21,731**	—
Other comprehensive income for the year	**21,731**	—
Total comprehensive income for the year, all attributable to shareholders of the Company	**39,391**	81,187

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**402,413**	247,600
Construction-in-progress		**231,452**	112,075
Right-of-use assets	*10*	**85,938**	72,601
Intangible assets		**2,502**	2,179
Prepayments for non-current assets		**24,773**	3,890
Deferred income tax assets		**51,106**	28,729
Investments accounted for using the equity method		**2,539**	3,109
Financial assets at fair value through other comprehensive income	*11*	**61,610**	23,146
		862,333	493,329
Current assets			
Inventories		**150,556**	98,161
Trade receivables	*12*	**11,040**	5,614
Other receivables, prepayments and deposits		**51,039**	40,437
Financial assets at fair value through profit or loss	*13*	**56,942**	—
Cash and bank balances		**711,018**	732,033
		980,595	876,245
Total assets		**1,842,928**	1,369,574
Equity			
Equity attributable to shareholders of the Company			
Share capital		**6,433**	5,758
Other reserves		**736,801**	553,231
Retained earnings		**592,724**	587,771
Total equity		**1,335,958**	1,146,760
Liabilities			
Non-current liabilities			
Lease liabilities	*10*	**6,654**	3,110
Deferred income tax liabilities		**12,298**	4,953
		18,952	8,063
Current liabilities			
Trade payables	*14*	**86,347**	47,884
Other payables and accrued charges		**229,375**	100,393
Contract liabilities		**78,751**	53,885
Current income tax liabilities		**22,238**	10,613
Borrowings	*15*	**70,199**	—
Lease liabilities	*10*	**1,108**	1,976
		488,018	214,751
Total liabilities		**506,970**	222,814
Total equity and liabilities		**1,842,928**	1,369,574

1. GENERAL INFORMATION

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") was incorporated in the Cayman Islands on 14 January 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of the Company's principal business place is Unit 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in the manufacturing, distribution and sale of food and snack products in the People's Republic of China (the "**PRC**").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 8 July 2016.

2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

(1) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Standards	**Effective for annual periods beginning on or after**
Definition of Material — amendments to HKAS 1 and HKAS 8	1 January 2020
Definition of a Business — amendments to HKFRS 3	1 January 2020
Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 16 (Amendments) Covid-19-related Rent Concessions	1 June 2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES *(Continued)*

(2) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2020, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards and amendments. The Group has evaluated the impact of these new standards and amendments, no new standards or amendments have a significant impact on the consolidated financial statements of the Group.

Standards	Effective for annual periods beginning on or after
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKAS 37 (Amendments) Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 17 Insurance contracts	1 January 2023
Annual Improvements to HKFRS Standards 2018-2020	1 January 2022

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating profit by business segments is as follows:

	Year ended 31 December 2020				
	Jelly Products *RMB'000*	**Crackers and Chips** *RMB'000*	**Seasoning Products** *RMB'000*	**Confectionery and Other Products** *RMB'000*	**Group** *RMB'000*
Revenue — recognised at a point in time					
Sales to external customers	**421,257**	**217,704**	**74,724**	**79,144**	**792,829**
Cost of goods sold	**(280,644)**	**(136,810)**	**(47,161)**	**(77,092)**	**(541,707)**
Results of reportable segments	**140,613**	**80,894**	**27,563**	**2,052**	**251,122**

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	**251,122**
Distribution and selling expenses	**(145,182)**
Administrative expenses	**(101,008)**
Net impairment losses on financial assets	**(1,453)**
Other income and other gains — net	**20,973**
Finance income	**17,163**
Finance costs	**(13,020)**
Share of net loss of investments accounted for using the equity method	**(2,871)**
Profit before income tax	**25,724**
Income tax expense	**(8,064)**
Profit for the year	**17,660**

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Depreciation and amortisation charges					
Allocated	**19,068**	**6,582**	**3,554**	**1,780**	**30,984**
Unallocated					**3,196**
					34,180
Capital expenditures					
Allocated	**79,657**	**16,880**	**5,844**	**34,577**	**136,958**
Unallocated					**181,928**
					318,886

3. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

	Year ended 31 December 2019				
	Jelly Products *RMB'000*	Crackers and Chips *RMB'000*	Seasoning Products *RMB'000*	Confectionery and Other Products *RMB'000*	Group *RMB'000*
Revenue — recognised at a point in time					
Sales to external customers	411,466	183,154	69,734	26,498	690,852
Cost of goods sold	(270,944)	(109,818)	(44,784)	(20,812)	(446,358)
Results of reportable segments	140,522	73,336	24,950	5,686	244,494

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	244,494
Distribution and selling expenses	(118,930)
Administrative expenses	(81,152)
Net impairment losses on financial assets	(542)
Other income and other gains — net	32,748
Finance income	30,065
Finance costs	(437)
Share of net loss of investments accounted for using the equity method	(1,891)
Profit before income tax	104,355
Income tax expense	(23,168)
Profit for the year	81,187

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Depreciation and amortisation charges					
Allocated	20,377	7,314	2,473	1,079	31,243
Unallocated					4,884
					36,127
Capital expenditures					
Allocated	55,023	7,237	1,691	—	63,951
Unallocated					104,624
					168,575

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

Over 90% of the Group's revenue and operating profit were generated from the sales in Mainland China and over 90% of the Group's non-current assets were located in Mainland China, therefore no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Major customer

None of the Group's sales to a single customer accounting to 10% or more of the Group's total revenue for the year, therefore no major customer information is presented in accordance with HKFRS 8 Operating Segments.

4. EXPENSES BY NATURE

Expenses included in cost of goods sold, distribution and selling expenses and administrative expenses were analysed as follows:

	2020	2019
	RMB'000	*RMB'000*
Raw materials and consumables used	**445,058**	321,477
Changes in inventories of work-in-progress and finished goods	**(42,263)**	3,880
Employee benefit expense, including directors' emoluments	**155,227**	140,942
Transportation and packaging expenses	**53,904**	35,093
Utilities and various office expenses	**49,122**	39,909
Depreciation of property, plant and equipment	**30,267**	31,578
Marketing and advertising expenses	**28,304**	17,296
Travelling expenses	**15,836**	18,307
Provision for decline in value of inventories	**6,169**	902
Rental expenses for leases of properties *(note 10)*	**5,364**	2,560
Amortisation of right-of-use assets *(note 10)*	**3,496**	3,785
Auditor's remuneration	**1,900**	1,800
Amortisation of intangible assets	**417**	764
Research and development expenses	**556**	1,024
Others	**34,540**	27,123
Total cost of sales, distribution and selling expenses and administrative expenses	**787,897**	646,440

5. OTHER INCOME AND OTHER GAINS — NET

	2020	2019
	RMB'000	*RMB'000*
Government grants	**18,300**	8,686
Gains on disposal of property, plant and equipment — net	**1,194**	5,073
Net fair value gains on financial assets at fair value through profit or loss	**745**	—
Gains on modification of lease period of land use rights	**364**	15,825
Gains on write-off of payables	**270**	3,879
Losses on disposal of software	**—**	(2,294)
Others	**100**	1,579
	20,973	32,748

Governments grants received during the year primarily comprised financial subsidies received from various local government authorities in Mainland China. There are no unfulfilled conditions or contingencies relating to these governments grants.

The loss on disposal of software represented the write-off of the accounting system and certain systems for operations after the usage of SAP systems under service contract.

6. FINANCE INCOME AND FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Finance income:		
Interest income from bank deposits	**17,163**	16,952
Exchange gains	**—**	13,113
	17,163	30,065
Finance costs:		
Exchange losses	**(12,224)**	—
Interest expense for borrowings	**(156)**	—
Interest expense for lease liabilities *(note 10)*	**(174)**	(213)
Other finance charges	**(466)**	(224)
	(13,020)	(437)
Finance income — net	**4,143**	29,628

7. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Current income tax	**30,295**	22,594
Deferred income tax, net	**(22,231)**	574
Income tax expense	**8,064**	23,168

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2019/20 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2020 and 2019 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%.

Taxation on Mainland China income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Mainland China in which the Group operates. The Company's subsidiaries incorporated in Mainland China are subject to Corporate Income Tax at the rate of 25% (2019: 25%).

Deferred income tax is calculated on temporary differences under the liability method using the prevailing tax rates applicable to the Mainland China subsidiaries of the Group.

The profits of the Mainland China subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong.

The Group provides for the deferred income tax liabilities on the unremitted earnings except for those amount expected to be reinvested. Unremitted earnings that deferred income tax liabilities have not been recognised totally RMB101,362,000 at 31 December 2020 (2019: RMB70,392,000). As at 31 December 2020, deferred income tax liabilities of approximately RMB5,068,000 (2019: RMB3,520,000) have not been recognised for the withholding tax that would be payable on such unremitted earnings of certain subsidiaries.

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to shareholders of the Company *(RMB'000)*	**17,660**	81,187
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**675,534,913**	648,996,557
Basic earnings per share	**RMB0.026**	RMB0.125

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised of share options.

	2020	2019
Profit attributable to shareholders of the Company *(RMB'000)*	**17,660**	81,187
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**675,534,913**	648,996,557
Adjustments for share options	**230,829**	224,118
Weighted average number of ordinary shares for diluted earnings per share	**675,765,742**	649,220,675
Diluted earnings per share	**RMB0.026**	RMB0.125

9. DIVIDENDS

At a meeting of the Board of Directors held on 18 March 2021, the Board of Directors did not recommend any payment of dividend to shareholders for the year ended 31 December 2020 (2019: Nil).

10. LEASES (INCLUDING LAND USE RIGHTS)

(i) Amounts recognised in the consolidated balance sheet

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**7,587**	4,894
Land use rights	**78,351**	67,707
	85,938	72,601
Lease liabilities		
Buildings		
— Current	**1,108**	1,976
— Non-current	**6,654**	3,110
	7,762	5,086

10. LEASES (INCLUDING LAND USE RIGHTS) *(Continued)*

(i) Amounts recognised in the consolidated balance sheet *(Continued)*

Movements in right-of-use assets in 2020 and 2019 are analysed as follows:

		2020	
	Buildings	**Land use rights**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At 1 January	4,894	67,707	72,601
Additions	7,164	12,331	19,495
Modification of lease term	(2,662)	—	(2,662)
Amortisation charges *(note 4)*	(1,809)	(1,687)	(3,496)
At 31 December	7,587	78,351	85,938

		2019	
	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	1,657	43,980	45,637
Additions	5,478	26,960	32,438
Modification of lease term *(note a)*	—	(1,689)	(1,689)
Amortisation charges *(note 4)*	(2,241)	(1,544)	(3,785)
At 31 December	4,894	67,707	72,601

10. LEASES (INCLUDING LAND USE RIGHTS) *(Continued)*

(i) Amounts recognised in the consolidated balance sheet *(Continued)*

Notes:

a. On 29 November 2019, the Group's subsidiary in Xiantao City, Hubei province, Mainland China entered into an agreement with Xiantao Land Reserve Center of the People's Government of Xiantao City, pursuant to the agreement the Group's subsidiary will sell its land use rights and the property and production plants attached thereon to the government for a total compensation consideration of RMB82,300,000, of which RMB17,514,000 is attributable to the land use rights and the remaining RMB64,786,000 is attributable to property and production plants. It is expected that the land use rights will be returned to the government by December 2021, accordingly, the lease terms of the land use rights are considered to be shortened from the previous ending by year 2053 and 2056 to ending around in two years by December 2021. This represented a modification of lease of land use rights with the government upon signing of the agreement pursuant to the application of HKFRS 16 Leases, and a gain on modification of RMB15,825,000, being the difference between the consideration of the disposal attributable to the land use rights of RMB17,514,000 and the decrease in the carrying amount of the land use rights by RMB1,689,000 due to shortened remaining lease period, was recognised in "Other income and other gains — net" (note 5) during the year ended 31 December 2019.

b. As at 31 December 2020, certain land use rights of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China, with carrying amount of approximately RMB6,414,000 (2019: RMB6,561,000) were still in the process of applying for the ownership certificates.

c. As at 31 December 2020, the lessors of the Group's leased properties in Taian City, Shandong Province, Mainland China, with carrying amount of right-of-use assets of approximately RMB710,000 (2019: RMB710,000) were still in the process of obtaining the relevant title documents to the properties.

10. LEASES (INCLUDING LAND USE RIGHTS) *(Continued)*

(ii) Amounts recognised in the consolidated income statement

		2020	
		Right-of-use assets	
	Buildings	**Land use rights**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Amortisation charges *(note 4)*			
Cost of goods sold	**947**	—	**947**
Distribution and selling expenses	—	—	—
Administrative expenses	**862**	**1,687**	**2,549**
	1,809	**1,687**	**3,496**
Interest expense (included in finance costs) *(note 6)*			**174**
Operating lease expenses in respect of buildings *(note 4)*			**5,364**
Total charges to income statement			**9,034**

		2019	
		Right-of-use assets	
	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
Amortisation charges *(note 4)*			
Cost of goods sold	947	—	947
Distribution and selling expenses	662	—	662
Administrative expenses	632	1,544	2,176
	2,241	1,544	3,785
Interest expense (included in finance costs) *(note 6)*			213
Operating lease expenses in respect of buildings *(note 4)*			2,560
Total charges to income statement			6,558

The total cash outflow for leases in 2020, not considering the receipt of government grant, was RMB66,067,000 (2019: RMB44,361,000).

10. LEASES (INCLUDING LAND USE RIGHTS) *(Continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses, and a production property. Rental contracts are typically made for fixed periods from 1 year to 10 years but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

(iv) Extension and termination options

Extension options are included in a number of office leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
Unlisted equity investments		
At 1 January	**23,146**	—
Additions	**9,800**	23,146
Fair value changes	**28,664**	—
At 31 December	**61,610**	23,146

During the year ended 31 December 2020 and 2019, the Group made equity investments in a number of consumer products companies with anticipated fast-growing potential and synergy with the Group's business. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price earning ratios and recent transaction prices of similar deals. The fair value measurement is categorised within level 3 of the fair value hierarchy.

12. TRADE RECEIVABLES

The credit period ranges from 30 to 90 days (2019: 60 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2020 was as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**9,792**	2,299
31 — 180 days	**1,251**	1,382
181 — 365 days	**—**	1,936
Over 365 days	**1,453**	—
	12,496	5,617
Less: provision for impairment	**(1,456)**	(3)
Trade receivables — net	**11,040**	5,614

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Unlisted units in investment fund		
At 1 January	**—**	—
Additions	**56,197**	—
Fair value changes	**745**	—
At 31 December	**56,942**	—

During the year ended 31 December 2020, the Group made investment in an unlisted units in investment fund. The fair values of the investment was determined mainly based on statement of net value of the fund. The fair value measurement is categorised within level 3 of the fair value hierarchy.

14. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date as at 31 December 2020 was as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**83,961**	43,338
31 — 180 days	**2,386**	4,500
181 — 365 days	**—**	—
Over 365 days	**—**	46
	86,347	47,884

15. BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Current		
Short-term bank loans — unsecured	**8,000**	—
Short-term bank loans — secured	**10,000**	—
Bank overdraft — secured	**52,199**	—
Total borrowings	**70,199**	—

The borrowings of the Group as at 31 December 2020 were secured by the Group's land use rights, buildings and restricted bank deposits.

For the year ended 31 December 2020, the weighted average effective interest rates on borrowings were 2.48% (2019: Nil).

The carrying amounts of borrowings are denominated in the following currencies:

	2020	2019
	RMB'000	*RMB'000*
USD	**52,199**	—
RMB	**18,000**	—
	70,199	—

The fair values of borrowings approximate their carrying amounts as of the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") is a renowned food and snacks company with strong brand recognition in the People's Republic of China (the "**PRC**"). The Group is principally engaged in the manufacturing, distribution and sale of jelly products, crackers and chips, seasoning products, confectionery and other food and snacks products under "Qinqin (親親)", "Shangerry (香格里)" and "A Snack Shop (親親物語)" brands. In 2020, the Group also developed a new business line for the manufacturing, distribution and sale of rice wine (米酒) in PRC.

In 2020, the Group has made significant progress in a number of strategic development areas to strengthen its business and have established a more solid foundation to support its future development and growth. The key strategic development accomplishments are as follows:

- Overall business returned to its upward trajectory with revenue increased by 14.8% in 2020.

- Continuing growth in e-commerce business with revenue growth by 5.8 times in 2020, representing 7.7% of total revenue in 2020.

- Our success in strategic investments in a number of fast-growing consumer goods companies with their fair value increased by RMB28.7 million in 2020.

- Successful launching of new products, new snack food series under "A Snack Shop (親親物語)" brand and a new business line for the manufacturing, distribution and sale of rice wine.

- Completion on the establishment of a new production base in Xiaogan City, the PRC and the continuing construction and development of four other new production bases in different areas of the PRC and the transformation of existing production base to enhance production capacity, quality and efficiency.

INDUSTRY ENVIRONMENT

The outbreak of the COVID-19 pandemic in 2020 has brought upon unprecedented challenges and uncertainty on China's economic development. Under the impact of the pandemic, the food and snacks industry was facing new challenges and opportunities with the gradual changes in working and consumption habits of people in PRC.

While the overall economy remained challenging during the year, the Group believes that the food and snacks industry in PRC is still with great appeal and development potential. With the increase in consumers' health awareness and income level, new market opportunities are also developing. As consumers pursue healthier and personalised products and favour high quality and innovative products, product development in this industry is becoming more diversified. Under such changes, enterprises have to constantly focus on product innovation and product quality improvement and introduce new products timely to adapt to changes in consumers' demand and preferences. In addition, sales and distribution channels are undergoing structural adjustments, in particular with the impact of the pandemic and new online and offline channels, resulting in the need for improvement in corporate sales and marketing strategies.

BUSINESS OVERVIEW

Under the impact of the outbreak of the pandemic in 2020, the Group continued to focus its efforts on increasing revenue growth with the aim to drive its long-term corporate development and future profit growth. The Group has regained the growing momentum as the revenue increased by RMB101.9 million or 14.8% from RMB690.9 million in 2019 to RMB792.8 million in 2020. The overall sales volume has also increased mainly attributable to the Group's continuous adjustments on product mix and sales strategies, its focus on new products development to enrich the product portfolio, and the continuing growth of e-commerce business. As the online purchase penetration continued to rise, the Group captured this opportunity to increasing the intensity of internet marketing and product promotional activities for its e-commerce business in 2020 with the aim to achieve sales volume growth and increase market share. Revenue from e-commerce business increased by 5.8 times in 2020, representing 7.7% of total revenue in 2020, which contributed to the increase in total revenue of the Group.

In accordance with the Group's strategic plan, the Group strategically invested additional efforts and resources into e-commerce channels to achieve sales volume growth and increased the percentage of new retail channels to facilitate further long-term growth of the Group's business. Based on its strategic decision, the products sold by the Group through e-commerce channels in 2020 carry a lower net selling price due to higher intensity of product promotional activities and channel expenses. As a result, whilst gross profit increased by RMB6.6 million or 2.7% from RMB244.5 million in 2019 to RMB251.1 million attributable to increase in overall sales volume, the gross profit margin decreased from 35.4% in 2019 to 31.7% in 2020.

Despite the fact that there was an increase in revenue and gross profit in 2020, the consolidated net profit decreased from RMB81.2 million in 2019 to RMB17.7 million in 2020. The decrease in consolidated net profit was mainly due to (i) the one-off gain on disposal of certain land use rights and property of the Group in 2019 of approximately RMB23.8 million, whereas there was no such disposal gain in 2020; (ii) as the Hong Kong dollar ("HKD") and the United States dollar ("USD") depreciated against Renminbi ("RMB") in 2020, the Group recorded foreign exchange loss in relation to its cash and cash equivalent denominated in HKD and USD totaling approximately RMB12.2 million, whereas a foreign exchange gain of RMB13.1 million was recorded in 2019 when HKD and USD appreciated against RMB; and (iii) the Group strategically invested additional efforts and resources into e-commerce channels to achieve sales volume growth and increased the percentage of new retail channels to facilitate further long-term growth of the Group's business. Based on its strategic decision, the products sold by the Group through e-commerce channels in 2020 carry a lower net selling price due to higher intensity of product promotional activities and channel expenses, resulting in a net loss recorded on e-commerce business for the year, and also offsetting the increase in gross profit and net profit driven by the increase in overall sales volume.

In 2020, there was an increase in fair value of the Group's investments in a number of consumer goods companies with fast-growing potential and synergy with the Group's business. As a result, the Group recorded a net fair value gain through other comprehensive income (after deduction of related tax provision) of RMB21.7 million in 2020. With the combined effect of the consolidated net profit and the fair value gain on investments, the total comprehensive income decreased from RMB81.2 million in 2019 to RMB39.4 million in 2020.

Jelly products

Sales of jelly products for 2020 were approximately RMB421.3 million (2019: RMB411.5 million), representing an increase of 2.4% as compared with last year and accounting for 53.1% (2019: 59.6%) of total revenue of the Group. Gross profit margin was 33.4% (2019: 34.2%), representing a decrease of approximately 0.8 percentage points as compared with last year.

In 2020, the Group continued to adjust its product mix by, on the basis of its existing products, developing and launching new products, including products such as「蒟蒻果凍」,「棒棒冰」and「美汁汁」. The addition of new products has further enriched the three existing major product lines including the traditional-flavor jelly product line, functional jelly product line and pudding jelly product line. During the year, with the goal of increasing product sales volume, the Group continued to optimise the strategies on product promotion and other sales expenditures, resulting in an increase in both the sales volume and sales revenue of new and existing products. Since the overall sales volume increased, the sharing of the Group's production fixed costs reduced correspondingly, and the revenue, gross profit also increased during the year. There was a slight decrease in gross profit margin as the Group launched certain lower profit margin new products this year with the target on volume increase.

Crackers and Chips

Sales of crackers and chips for 2020 were approximately RMB217.7 million (2019: RMB183.2 million), representing an increase of 18.9% as compared with last year and accounting for 27.5% (2019: 26.5%) of the total revenue of the Group. The gross profit margin was 37.2% (2019: 40.0%), representing a decrease of approximately 2.8 percentage points as compared with last year.

During the year, with the continuous launching and distribution of new products, including「雞味塊」,「親親圈」and「洋蔥圈」, consumers' acceptance of the Group's products increased. The Group focused on enhancing the expansion and management of its sales channels, while continuing to optimise its strategies on product promotion and other sales expenditures. As a result, the sales volume and sales revenue of both new products and existing products increased during the year. Since the overall sales volume increased, the sharing of the Group's production fixed costs reduced correspondingly, and the revenue, gross profit also increased during the year. The decrease in gross profit margin was mainly due to the increased in intensity of promotional activities on certain products of the Group.

Seasoning Products

Sales of seasoning products for 2020 were approximately RMB74.7 million (2019: RMB69.7 million), representing an increase of 7.2% as compared with last year and accounting for 9.4% (2019: 10.1%) of the total revenue of the Group. The gross profit margin was 36.9% (2019: 35.8%), representing an increase of approximately 1.1 percentage points as compared with last year. Owing to a significant increase in the prices of certain raw materials in last year, the Group had made price adjustments to some products since last year. As there was a decrease in the price of certain raw materials this year and the gross profit of some of the new products was higher than that of the existing products, both revenue, gross profit and gross profit margin increased accordingly in 2020.

Confectionery and Other Products

Sales of confectionery and other products for 2020 were approximately RMB79.1 million (2019: RMB26.5 million), representing an increase of 2.0 times as compared with last year and accounting for 10.0% (2019: 3.8%) of the total revenue of the Group. During the year, the Group has started two new businesses under the confectionery and other products segment, namely A Snack Shop (親親物語) business and rice wine and sesame candy business. The significant growth in revenue was mainly attributable to the increase in sales from A Snack Shop (親親物語) business, other new snack food products such as seafood type snack food, bakery products and rice wine products, and OEM business. As the new products under this segment were mainly sold through e-commerce channels and carry a lower net selling price due to higher intensity of product promotional activities and channel expenses, the overall gross profit margin decreased accordingly.

Details of the new businesses are further set out below:

- **A Snack Shop (親親物語) Business**

  In 2020, the Group has established a new snack food division for the development of a new snack food series under "A Snack Shop (親親物語)" brand. During the year, the Group has developed over 200 new products units mainly for sale in the e-commerce channels under "A Snack Shop (親親物語)" brand. These products categories mainly included dried fruits, nuts, biscuits, bakery and dried meat and vegetarian snacks, which are developed with the target to provide a variety of popular snacks for the new generation consumers.

  With the continuing growth of the Group's e-commerce business, there was a significant growth in revenue from this division, resulting in the increase in revenue of the confectionery and other products segment.

- **Rice Wine and Sesame Candy Business**

  To capture the opportunity on the development of certain traditional food and beverage industry in the PRC, the Group entered into a strategic cooperation agreement with the People's Government of Xiaogan City, the PRC in late 2018 to jointly promote the revitalisation and development of the traditional manufacturing industries of sesame candy (麻糖) and rice wine (米酒) (both being local specialities of Xiaogan City).

  The Group successfully won the bid for two parcels of land with a total area of approximately 121,000 square meters located at Xiaogan City and obtained the land use rights certificates of the respective land in 2019 and the construction of the first phase of Qinqin Healthy Rice Wine Industrial Park (親親健康米酒工業園) and the installation of equipment were completed in the first half of 2020. Due to the COVID-19 pandemic, the Group's original plan to launch and distribute new rice wine products in the first half of 2020 was slightly delayed to the last quarter of 2020 and therefore revenue contribution to the Group in 2020 was not significant.

  In addition, the Group has engaged an overseas design company to design a conceptual layout for a tourism factory facilities in Xiaogan City and will develop a new project that combines the production of sesame candy and rice wine with tourism elements.

The Group believes the aforementioned new businesses expanded the Group's product lines, facilitated the diversified development of the Group's food and snack products business, and further advanced the Group's long-term development and growth.

Strategic Development Investment Projects

As part of the strategic development plans and business expansion strategies of the Group, the Group has invested in a number of consumer goods companies with fast-growing potential and synergy with the Group's business. These companies mainly engage in the production or sale of food, beverage and alcohol products in the PRC and abroad. During the year, the Group cooperated with some of these companies to jointly promote the Group's products on e-commerce channels and in food fairs and exhibition.

In 2020, the Group recorded a net fair value gain through other comprehensive income (after deduction of related tax provision) of RMB21.7 million due to the increase in fair value of these investments. The Group believes that the strategic investments in these companies will be beneficial to the long-term development and industrial layout of the Group.

Product Development and Upgrade

The Group is committed to developing popular, natural and healthy products with high nutritious value and quality. The Group's product management center, leveraging its outstanding professional technical talents as well as research and development capabilities for innovative products, has enhanced its creativity in areas such as product development, packaging design and brand marketing. The Group has increased its investment in product innovation, production facilities and quality inspection equipment, thereby ensuring the speed and efficiency of the development and launching of new products.

For jelly products, the Group has set the product development objective in the direction of functional and nutritional products with low sugar, low calories, zero preservatives and zero artificial pigments. In 2020, the Group has successful developed and launched new products including「蒟蒻果凍」,「棒棒冰」and「美汁汁」. The Group developed different products to cater to the needs of different people, its product line expanded from jelly products with only single fruit flavor to pudding and functional jelly products, offering a variety of options for consumers. While strengthening research and development and being committed to improving the contents of its products, the Group continued to work with different kinds of domestic and overseas enterprises to produce innovative jelly products.

For crackers and chips, while maintaining its leading position in seafood crackers and chips, the Group continued to expand its product lines. In 2020, the Group has successful developed and launched new products including「雞味塊」,「親親圈」and「洋蔥圈」. The Group also sought to enhance its brand influence and market share through a series of upgrades in terms of production processes, packaging, product and flavour. The Group upgraded its product quality by improving tastes and expanding flavours to cater to the preferences of young consumers and regional features.

For seasoning products, the Group has set a clear objective of becoming a "small- and medium-sized restaurant solution provider". The Group aimed to increase the proportion of products with mid-to-high gross profit in the product structure, and strived to strengthen its brand influence and market share through a series of upgrading such as package upgrading and continued to enhance the investment in and establishment of food and beverage channels. While consolidating its business with small restaurants, it also actively expanded its market share among chain restaurant brands and agricultural trade and wholesale market.

For A Snack Shop (親親物語) business, the Group has launched over 200 new products units during the year and for rice wine products, the Group has also developed and launched its new products「親親釀」and「白醇米酒」in 2020.

Promotion and Marketing

The Group continued to make adjustments to its promotion and marketing strategies and extended its promotion and marketing activities into different promotion and advertising channels.

In 2020, the Group appointed famous young actor Wei Daxun (魏大勳) as spokesperson for its new strategic products「蘊能可吸凍」and up-and-coming actor Jin Haochen (金澔辰) as its brand ambassador to appear in commercials for its「蒟蒻果凍」and Qinqin prawn cracker.

The Group also made full use of new social media including WeChat, Weibo, TikTok, Xiaohongshu and bilibili, by taking advantage of fan economy to establish effective interaction with young consumers and to increase its brand awareness. In order to increase public exposure for its products, the Group also increased its advertising expenditure on offline advertising channels including bus bodies, outdoor billboards, digital frames on buildings, and elevator posters.

In addition, the Group cooperated with certain of its strategic investment partners to jointly promote the Group's and their products on both e-commerce channels and food fairs and exhibition to attract new customers.

Channel Expansion

Along with product upgrades, the Group continued to broaden its existing distributors network by expanding to new channels such as snack food branded stores, convenience stores, campus snack stores, gas stations.

As the online purchase penetration continued to rise, the Group captured this opportunity to increase the intensity of internet marketing and product promotional activities for its e-commerce business in 2020, with the aim to achieve sales volume growth and increase market share. In 2020, the Group's e-commerce division in Shanghai continued to develop products catering to the characteristics of the e-commerce channels to differentiate from its offline products and increase unit price per customer. As a result, the Group achieved a continuing growth in e-commerce business with revenue growth by 5.8 times in 2020, representing 7.7% of total revenue in 2020.

Based on the Group's strategic decision, products sold by the Group through e-commerce channels carry a lower net selling price due to higher intensity of product promotional activities and channel expenses. In addition, due to the higher distribution and selling expenses incurred on e-commerce business, the e-commerce business still operated at a net loss position in 2020. However, the Group will continue its strategic plan to expand its e-commerce channels to achieve sales volume growth and increase market share in order to gradually increase the percentage of new retail channels to facilitate further long-term growth of the Group's business. The Group will continue to actively work with new retailers including Alibaba and JD to develop new retail channels, which the Group believes it can build on this foundation to achieve a further growth in this business and bring additional profits to the Group in the future.

Production Facilities Improvement

The Group has established a bold development plan for its production facilities and equipment. In 2020, the Group continued to optimise its resources through the establishment of new production base, transforming existing production base, and upgrading its equipment, so as to improve its production facilities, production process and product quality, and to enhance production capacity and efficiency that will meet the long-term development of the Group. The progress of the Group's main development projects in PRC is as follows:

- the Group completed the construction and equipment installation for the first phase of Qinqin Healthy Rice Wine Industrial Park (親親健康米酒工業園) in Xiaogan City, the PRC within a year and production commenced in 2020;

- the Group signed an agreement with the People's Government of Xiantao City, the PRC in November 2019, in respect of the disposal of related land use rights and property of the Group's existing production base in Xiantao City, the PRC, in which the Group planned to construct a new production base to replace its existing production base in that city. In 2020, the Group completed the land auction and obtained the land use rights certificate in respect of the new production base. The construction of the new production base is currently in progress and expected to be completed and put into operation in 2021;

- the Group signed a cooperative agreement with the People's Government of Sishui County, Jining City, Shandong Province, the PRC in December 2019, as the Group planned to construct a new production base in Sishui County, Jining City, Shandong Province, the PRC to replace the Group's existing production base (as leased properties) in Taian City, Shandong Province, the PRC. The construction of the first phase of the new production base was completed in January 2021 and production has been commenced;

- the Group continued the gradual upgrade and transformation project for the head office's production base, office and other supporting facilities in Jinjiang City, Fujian Province, the PRC, so as to increase production and office efficiency;

- the Group signed an agreement with the People's Government of Dongbo County, Meishan City, Sichuan Province, the PRC in July 2020, as the Group planned to construct a new production base in Meishan City, Sichuan Province, the PRC, so as to facilitate the Group's further expansion in the Southwest China market. In 2020, the Group completed the land auction and obtained the land use rights certificate in respect of the new production base. The construction of the new production base is currently in progress and expected to be completed and put into operation in 2021; and

- the Group signed an agreement with the People's Government of Xiji County, Ningxia City, Gansu Province, the PRC in November 2020 for construction of a new production base on a lease property in Ningxia City, Gansu Province, the PRC, so as to facilitate the Group's further expansion in the Northwest China market. The construction of the new production base is currently in progress and expected to be completed and put into operation in 2021.

The Group aimed to reduce the impact of increasing labour costs by increasing the level of our production facilities automation. The Group continued to conduct "equipment transformation, production process enhancement, quality improvement" for its production facilities and cooperated with various foreign equipment enterprises for bringing in world advanced standards production lines. The Group believes that a highly automated production process with technologically-more-advanced equipment will allow the Group to reduce its reliance on labour, improve production efficiency and accelerate the time-to market for our products. In addition, the Group continued to adopt measures to save energy and lower consumption and products defective rate.

The Group strived to provide consumers with healthy and safe products, and it has always strictly complied with the stringent international production standards. Hence, the Group has been awarded the HALAL, SC, KOSHER and ISO9001 certifications in respect of its production facilities, quality control and management system.

FUTURE PROSPECTS AND STRATEGIES

The Group's strategic initiatives in recent years, particularly to stay focus on investing in new products, e-commerce business, information management system and new production facilities and equipment, has laid a firm foundation for the next chapter in the Group's business development.

Although the market is full of challenges, we are looking forward to 2021 as the Group will continue to focus our efforts in the following areas, to drive further growth of the Group's business and thereby creating greater value for its shareholders.

- Capture the opportunities of consumer upgrades through continuous product innovations, thereby adhering to its diversified product strategies, focusing on enhancement of product quality, optimisation of product portfolio and strengthening market position of our key products.

- Expand our distribution channels, strengthen our traditional distribution network and further develop other new market access such as e-commerce channels, snack food branded stores and restaurants channels in order to increase market penetration.

- Establish and transform our production bases and upgrade equipment to improve production facilities, production processes and product quality and to enhance production capacity and efficiency that will meet the long-term development of the Group.

- Refine internal management process, invest in talent development and information management system to raise corporate management standards, improve the Group's operating efficiency and core competitiveness, and to enhance sustainable development of the Group.

- Explore investment opportunities in consumer goods companies with fast-growing potential and synergy with the Group's business, alliances with strategic investment partners to facilitate long-term development and business growth of the Group.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 31 December 2020. As at 31 December 2020, the Group had cash and bank balances of RMB711.0 million (2019: RMB732.0 million) and bank borrowings of RMB70.2 million (2019: Nil).

As at 31 December 2020, the Group's working capital or net current assets were RMB492.6 million (2019: RMB661.5 million). The current ratio, represented by current assets divided by current liabilities, was 2.0 (2019: 4.1). The Group's total equity was RMB1,336.0 million (2019: RMB1,146.8 million), representing an increase of 16.5%.

Cash and bank balances were mainly denominated in HKD, USD and RMB. As at 31 December 2020, pledged bank deposits of RMB66.0 million (2019: Nil) were being used as the security for a banking facility of USD8.0 million (equivalent to RMB52.2 million) granted by a bank for certain short term credit facility arrangement.

As part of treasury management activities with respect to the Group's surplus cash assets, the Group has invested, at fair value, of RMB56.9 million as at 31 December 2020 (2019: Nil) in units in investment funds measured at fair value through profit or loss. During the year, there was a net gain of RMB0.7 million (2019: Nil) recorded in profit or loss due to the fair value change of these investments.

As at 31 December 2020, the Group's bank borrowings denominated in RMB bore fixed interest rates ranged from 3% to 3.35% per annum. In addition, the effective interest rate of the Group's bank overdraft denominated in USD was 1.6% per annum as at 31 December 2020. As the Group was in net cash position as at 31 December 2020 and in 31 December 2019, no gearing ratio was presented.

In 2020, the Group invested RMB318.9 million on capital expenditure (2019: RMB168.6 million). The capital expenditure for 2020 was mainly incurred for land acquisition, construction of new production bases and production equipment upgrades in PRC. The Group will continue to invest in capital expenditure projects to facilitate the Group's business expansion plan and it is expected that the upcoming capital expenditure requirements will be funded by both internal and external resources of the Group. Overall, the Group's financial position remains sound for continued business expansion.

COMMITMENTS AND CONTINGENCIES

As at 31 December 2020, the Group had total capital commitments (contracted but not provided for) of RMB378.6 million (2019: RMB88.2 million).

As at 31 December 2020, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB1.1 million (2019: RMB2.9 million). As at 31 December 2020, the lessors of our leased properties in Taian city, Shandong province were still in the process of obtaining the relevant title documents to the properties.

The Group had no material contingent liabilities as at 31 December 2020 and 31 December 2019.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for those disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year.

CHARGE ON ASSETS

As at 31 December 2020, certain land use rights and buildings of the Group with net book value of RMB15.0 million (2019: Nil) were pledged for bank borrowings of RMB10.0 million (2019: Nil). In addition, the Group had a banking facility of USD8.0 million (equivalent to RMB52.2 million) (2019: Nil) granted by a bank for certain short term credit facility arrangement which was pledged by the bank deposits of the Group in the amount of RMB66.0 million as at 31 December 2020.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2020, the Group had approximately 2,600 (2019: 2,200) employees. For the year ended 31 December 2020, total employee benefit expenses, including directors' emoluments, was approximately RMB155.2 million (2019: RMB140.9 million). The increase in total employee benefit expenses was mainly attributable to the increase in number of employees during the year to facilitate the business expansion of the Group.

The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruit employees based on a number of factors, including their educational background, work experience and vacancies within the Group. The Group determines employees' compensation based on their qualifications, work experience, position and performance. In addition to salaries, the Group provides a comprehensive range of staff benefits to its employees, including performance or contribution-based bonuses and allowances for meals and free dormitories. Besides, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

The Group also committed to continuing education and development of its employees, and the Group provides various education and training programs both internally and externally to cultivate its employees in improving their skills and developing their potential.

FOREIGN EXCHANGE RISK

The Group operates its businesses primarily in the PRC and its functional currency is RMB. Foreign exchange risk arises mainly from future commercial transactions of sales and purchases with overseas customers and suppliers by the Group and recognised assets or liabilities, such as cash and cash equivalent, term deposits, restricted bank deposits, trade and other receivables and payables, and bank borrowings of the Group, which are denominated in HKD, USD and other currencies.

During the year, HKD and USD devalued against RMB. The Group recorded foreign exchange loss in relation to its cash and cash equivalent in HKD and USD totaling RMB12.2 million (2019: net foreign exchange gain totaling RMB13.1 million). In order to limit this exchange rate risk, the Group closely monitors HKD and USD exposure to an acceptable level by buying or selling foreign currencies at spot rates where necessary. Save as disclosed above, the Group is exposed to minimal foreign exchange risk exposure as the Group focus its sales and purchase within the PRC market.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

OTHER INFORMATION

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Monday, 17 May 2021 (the "**2021 AGM**"), notice of which will be published on the website of the Company (www.fjqinqin.com) and the designated website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk), and despatched to shareholders of the Company accordingly.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "**Shareholders**") will be closed from Wednesday, 12 May 2021 to Monday, 17 May 2021 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the 2021 AGM, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 11 May 2021.

RAISING OF FUNDS AND USE OF PROCEEDS

(a) Pursuant to the subscription agreements dated 22 March 2019 entered into between the Company and the subscribers, an aggregate of 104,400,000 ordinary shares of the Company of HKD0.01 each in the share capital of the Company (the "**Shares**") were issued at HKD2.2 per Share (the "**2019 Subscription Price**") to the subscribers on 1 April 2019 (the "**2019 Subscription**"). The aggregate nominal value of the Shares under the 2019 Subscription is HKD1,044,000. The 2019 Subscription Price represented (i) a premium of approximately 1.38% to the closing price of HKD2.17 per Share as quoted on the Stock Exchange on 21 March 2019, the date on which the terms of the subscription agreement were fixed; and (ii) a discount of approximately 1.43% to the average closing price of approximately HKD2.232 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 21 March 2019. The subscribers are independent professional or individual investors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the subscribers (and their respective ultimate beneficial owners, if applicable) are third parties independent of the Company and its connected persons. Details of the 2019 Subscription were disclosed in the Company's announcements dated 22 March 2019 and 1 April 2019.

The gross and net proceeds of the 2019 Subscription were approximately HKD229.68 million (equivalent to approximately RMB197.0 million) and approximately HKD229.48 million (equivalent to approximately RMB196.8 million), respectively. The net subscription price, after deducting such fees, costs and expenses, is therefore approximately HKD2.198 per Share under the 2019 Subscription.

Sets out below is a summary of the intended and actual use of proceeds from the 2019 Subscription:

Intended use of proceeds as announced and actual use of proceeds	**Net proceeds**	**Amount of proceeds utilised up to 31 December 2020**	**Amount of proceeds unutilised up to 31 December 2020**
	(Approximate) *(RMB in million)*	*(Approximate)* *(RMB in million)*	*(Approximate)* *(RMB in million)*
Upgrade of enterprise resource planning (ERP) system of the Group	15.4	7.2	8.2
Purchase of machinery and equipment	29.2	29.2	—
Promotion and marketing campaigns	25.7	25.7	—
Provide funding for land acquisition and development costs of sesame candy and rice wine production facilities in Xiaogan City, Hubei Province, PRC.	126.5	126.5	—
Total	196.8	188.6	8.2

As at the date of this announcement, the Company expects that the unutilised proceeds will be used according to the intended use of proceeds as previously announced. As the Company is in the process of upgrading its ERP system by phases, it is expected that the unutilised proceeds as at 31 December 2020 will be fully utilised in the financial year 2021.

(b) Pursuant to the subscription agreements dated 22 December 2020 entered into between the Company and the subscribers, an aggregate of 80,000,000 Shares were issued at HKD2.2 per Share (the "**2020 Subscription Price**") to the subscribers on 29 December 2020 (the "**2020 Subscription**"). The aggregate nominal value of the Shares under the 2020 Subscription is HKD800,000. The 2020 Subscription Price (i) equaled the closing price of HKD2.2 per Share as quoted on the Stock Exchange on 21 December 2020, the date on which the terms of the subscription agreement were fixed; and (ii) represented a discount of approximately 4.51% to the average closing price of approximately HKD2.304 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 21 December 2020. The subscribers are independent professional corporate and/or individual investors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the subscribers (and their respective ultimate beneficial owners, if applicable) are third parties independent of the Company and its connected persons. Details of the 2020 Subscription were disclosed in the Company's announcements dated 22 December 2020 and 29 December 2020.

The gross and net proceeds of the 2020 Subscription were approximately HKD176.0 million (equivalent to approximately RMB148.6 million) and approximately HKD175.8 million (equivalent to approximately RMB148.4 million), respectively. The net subscription price, after deducting such fees, costs and expenses, is therefore approximately HKD2.198 per Share under the 2020 Subscription.

Sets out below is a summary of the intended and actual use of proceeds from the 2020 Subscription:

Intended use of proceeds as announced and actual use of proceeds	**Net proceeds**	**Amount of proceeds utilised up to 31 December 2020**	**Amount of proceeds unutilised up to 31 December 2020**
	(Approximate)	*(Approximate)*	*(Approximate)*
	(RMB in million)	*(RMB in million)*	*(RMB in million)*
Purchase of machinery and equipment	30.2	—	30.2
Promotion and marketing campaigns	16.9	—	16.9
Provide funding for land acquisition and development costs of new production facilities	101.3	—	101.3
Total	148.4	—	148.4

As at the date of this announcement, the Company expects that the unutilised proceeds will be used according to the intended use of proceeds as previously announced. The Company expected that the unutilised proceeds as at 31 December 2020 will be fully utilised in the financial year 2021.

Save as disclosed herein, the Company did not have any other fund raising activity during the year ended 31 December 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2020 and, where appropriate, the applicable recommended best practices of the CG Code, except for a deviation from code provision A.2.1 of the CG Code in respect of the roles of chairman and chief executive officer of the Company.

Following the resignation of Chief Executive Officer (the "**CEO**") on 23 August 2019, the Company is still in the process of identifying a suitable candidate to assume the role as CEO. The responsibilities of the CEO are overseen by Mr. Hui Ching Lau, Chairman and executive director of the Company, with the support of the senior management team of the Group.

Under the code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the roles of the Chairman and the CEO should be separate and should not be performed by the same individual.

In view of Mr. Hui Ching Lau is the Chairman and executive director of the Company and he has accumulated over 16 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in April 2003, the Board believes that it is in the best interest of the Group to have Mr. Hui Ching Lau to oversee the responsibilities of the CEO with the support of the senior management team of the Group whilst the Company is still in the process of identifying a suitable candidate to assume the role as CEO. Therefore, the Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules on the Stock Exchange as the code of conduct for dealing in securities of the Company by the directors of the Company (the "**Directors**"). All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2020. To ensure Directors' dealings in the securities of the Company (the "**Securities**") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all four Independent Non-executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil in accordance with Rule 3.13 of the Listing Rules.

The Board, through the Nomination Committee, has reviewed the independence of all Independent Non-executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the Independent Non-executive Directors has been impaired up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee, which comprises all four Independent Non-executive Directors of the Company, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the draft consolidated financial statements of the Group for the year ended 31 December 2020.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Company's auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC on the preliminary announcement.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I extend my gratitude to all our staff for their hard work and dedication.

By Order of the Board of
Qinqin Foodstuffs Group (Cayman) Company Limited
Hui Ching Lau
Chairman and Executive Director

Hong Kong, 18 March 2021

As of the date of this announcement, the Board comprises 12 Directors, of which three are executive Directors, namely Mr. Hui Ching Lau (Chairman), Mr. Wong Wai Leung (Chief Financial Officer and Company Secretary) and Mr. Wu Wenxu; five are non-executive Directors, namely Mr. Hui Lin Chit, Mr. Sze Man Bok, Mr. Wu Huolu, Mr. Wu Sichuan and Mr. Wu Yinhang; and four are independent non-executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil.