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 2021

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE AND RATIOS

For the year ended 31 December	**2021** ***RMB'000***	2020 *RMB'000*	**Changes**
Revenue	**860,254**	792,829	**8.5%**
Gross profit	**214,343**	251,122	**-14.6%**
Gross profit margin	**24.9%**	31.7%	**-6.8% points**
EBITDA (1)	**7,750**	57,421	**-86.5%**
(Loss)/profit attributable to equity shareholders of the Company	**(80,841)**	17,660	**-557.8%**
(Loss)/earnings per share			
— Basic	**RMB (0.107)**	RMB 0.026	
— Diluted	**RMB (0.107)**	RMB 0.026	

As at 31 December	**2021** ***RMB'000***	2020 *RMB'000*	**Changes**
Total assets	**1,916,728**	1,842,928	**4.0%**
Net cash position (2)	**342,307**	640,819	**-46.6%**
Net current assets	**91,669**	492,577	**-81.4%**
Total equity attributable to equity shareholders of the Company	**1,266,963**	1,335,958	**-5.2%**
Return on equity (3)	**-6.4%**	1.3%	**-7.7% points**
Net asset per share	**RMB 1.7**	RMB 1.8	
Finished goods turnover days (4)	**23 days**	25 days	
Trade receivables turnover days (5)	**3 days**	4 days	

Notes:

(1) EBITDA is equal to the loss or profit for the year before finance income, finance costs (excluded other finance charges), income tax, depreciation, amortisation, share of net loss of investments accounted for using the equity method and net fair value changes on financial assets at fair value through profit or loss.

(2) Net cash position is equal to cash and bank balances net of bank borrowings.

(3) Return on equity is equal to loss or profit attributable to equity shareholders divided by total shareholders' equity at the end of the relevant year.

(4) Finished goods turnover days is equal to the average balance of finished goods divided by the cost of sales and multiplied by the number of days in the relevant year.

(5) Trade receivables turnover days is equal to the average balance of trade receivables divided by the revenue and multiplied by the number of days in the relevant year.

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 2021, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**860,254**	792,829
Cost of goods sold	*4*	**(645,911)**	(541,707)
Gross profit		**214,343**	251,122
Distribution cost and selling expenses	*4*	**(138,146)**	(145,182)
Administrative expenses	*4*	**(135,665)**	(101,008)
Net impairment (losses)/reversal on financial assets		**1,186**	(1,453)
Other income and other gains — net	*5*	**3,291**	20,973
Operating (loss)/profit		**(54,991)**	24,452
Finance income	*6*	**12,911**	17,163
Finance costs	*6*	**(5,818)**	(13,020)
Finance income — net		**7,093**	4,143
Share of net loss of investments accounted for using the equity method		**(756)**	(2,871)
(Loss)/profit before income tax		**(48,654)**	25,724
Income tax expense	*7*	**(32,243)**	(8,064)
(Loss)/profit for the year		**(80,897)**	17,660
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(80,841)**	17,660
Non-controlling interests		**(56)**	—
		(80,897)	17,660
(Loss)/earnings per share for (loss)/profit attributable to shareholders of the Company	*8*		
— Basic (loss)/earnings per share		**RMB (0.107)**	RMB 0.026
— Diluted (loss)/earnings per share		**RMB (0.107)**	RMB 0.026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(80,897)**	17,660
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(261)**	—
Items that may not be reclassified to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**11,000**	21,731
Other comprehensive income for the year, net of tax	**10,739**	21,731
Total comprehensive (loss)/income for the year	**(70,158)**	39,391
Total comprehensive (loss)/income for the year is attributable to:		
Equity shareholders of the Company	**(70,102)**	39,391
Non-controlling interests	**(56)**	—
	(70,158)	39,391

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**709,859**	402,413
Construction-in-progress		**230,530**	231,452
Right-of-use assets	*10*	**82,067**	85,938
Intangible assets		**2,610**	2,502
Prepayments for non-current assets		**30,018**	24,773
Deferred income tax assets		**13,401**	51,106
Investments accounted for using the equity method		**37,032**	2,539
Financial assets at fair value through other comprehensive income	*11*	**93,899**	61,610
		1,199,416	862,333
Current assets			
Inventories		**157,695**	150,556
Trade receivables	*12*	**5,153**	11,040
Other receivables, prepayments and deposits		**62,973**	51,039
Financial assets at fair value through profit or loss	*13*	**51,820**	56,942
Cash and bank balances		**439,671**	711,018
		717,312	980,595
Total assets		**1,916,728**	1,842,928
Equity			
Equity attributable to shareholders of the Company			
Share capital		**6,433**	6,433
Other reserves		**754,819**	736,801
Retained earnings		**505,711**	592,724
Capital and reserves attributable to equity shareholders of the Company		**1,266,963**	1,335,958
Non-controlling interests		**944**	—
Total equity		**1,267,907**	1,335,958
Liabilities			
Non-current liabilities			
Lease liabilities	*10*	**6,473**	6,654
Deferred income tax liabilities		**16,705**	12,298
		23,178	18,952
Current liabilities			
Trade payables	*14*	**100,321**	86,347
Other payables and accrued charges		**293,218**	229,375
Contract liabilities		**133,646**	78,751
Current income tax liabilities		**1,094**	22,238
Borrowings	*15*	**97,364**	70,199
Lease liabilities	*10*	**—**	1,108
		625,643	488,018
Total liabilities		**648,821**	506,970
Total equity and liabilities		**1,916,728**	1,842,928

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 Act 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, Admiralty, 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 2021:

Standards	**Effective for annual periods beginning on or after**
Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	1 January 2021
HKFRS 16 (Amendments) Covid-19-related Rent Concessions	1 April 2021

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 2021, 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
HKAS 16 (Amendment) 'Property, Plant and Equipment — Proceeds Before Intended Use'	1 January 2022
HKAS 37 (Amendment) 'Onerous Contracts — Cost of Fulfilling a Contract'	1 January 2022
HKFRS 3 (Amendment) 'Reference to the Conceptual Framework'	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
AG 5 (revised) 'Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations'	1 January 2022
HKAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'	1 January 2023
HKFRS 17 'Insurance Contracts'	1 January 2023
HK Int 5 (2020) 'Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause '	1 January 2023
HKAS 1, HKFRS Practices Statement 2 (Amendment) 'Disclosure of Accounting Policies'	1 January 2023
HKAS 8 (Amendment) 'Definition of Accounting Estimates'	1 January 2023
HKFRS 10 and HKAS 28 (Amendments) 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture"	To be determined
HKAS 12 (Amendment) 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction'	1 January 2023

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 2021				
	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	**473,003**	**225,375**	**83,485**	**78,391**	**860,254**
Cost of goods sold	**(342,949)**	**(171,589)**	**(57,187)**	**(74,186)**	**(645,911)**
Results of reportable segments	**130,054**	**53,786**	**26,298**	**4,205**	**214,343**

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

Results of reportable segments	**214,343**
Distribution cost and selling expenses	**(138,146)**
Administrative expenses	**(135,665)**
Reversal of impairment losses on financial assets	**1,186**
Other income and other gains — net	**3,291**
Finance income	**12,911**
Finance costs	**(5,818)**
Share of net loss of investments accounted for using the equity method	**(756)**
Loss before income tax	**(48,654)**
Income tax expense	**(32,243)**
Loss for the year	**(80,897)**

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Depreciation and amortisation charges					
Allocated	**24,723**	**10,943**	**5,070**	**6,273**	**47,009**
Unallocated					**1,066**
					48,075
Capital expenditures					
Allocated	**54,824**	**180,418**	**28,807**	**15,292**	**279,341**
Unallocated					**74,609**
					353,950

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	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 cost 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 losses 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)*

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:

	2021	2020
	RMB'000	*RMB'000*
Raw materials and consumables used	**442,324**	445,058
Changes in inventories of work-in-progress and finished goods	**6,750**	(42,263)
Employee benefit expense, including directors' emoluments	**203,615**	155,227
Utilities and various office expenses	**73,838**	49,122
Transportation and packaging expenses	**55,095**	53,904
Depreciation of property, plant and equipment	**45,187**	30,267
Travelling expenses	**18,718**	15,836
Marketing and advertising expenses	**8,826**	28,304
Research and development expenses	**7,407**	556
(Reversal of)/provision for decline in value of inventories	**(4,909)**	6,169
Rental expenses for leases of properties *(note 10)*	**4,235**	5,364
Amortisation of right-of-use assets *(note 10)*	**2,450**	3,496
Auditor's remuneration	**2,000**	1,900
Amortisation of intangible assets	**438**	417
Others	**53,748**	34,540
Total cost of sales, distribution cost and selling expenses and administrative expenses	**919,722**	787,897

5. OTHER INCOME AND OTHER GAINS — NET

	2021 *RMB'000*	2020 *RMB'000*
Government grants	**18,946**	18,300
Net fair value (losses)/gains on financial assets at fair value through profit or loss	**(15,122)**	745
Compensation payment to suppliers	**(3,865)**	—
Gains on disposal of investments accounted for using the equity method	**2,380**	—
Penalty income	**629**	282
Gains on write-off of payables	**520**	270
(Losses)/gains on disposal of property, plant and equipment — net	**(408)**	1,194
Others	**211**	182
	3,291	20,973

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.

6. FINANCE INCOME AND FINANCE COSTS

	2021 *RMB'000*	2020 *RMB'000*
Finance income:		
Interest income from bank deposits	**12,911**	17,163
Finance costs:		
Exchange losses	**(2,482)**	(12,224)
Interest expense for borrowings	**(2,648)**	(156)
Interest expense for lease liabilities *(note 10)*	**(232)**	(174)
Other finance charges	**(456)**	(466)
	(5,818)	(13,020)
Finance income — net	**7,093**	4,143

7. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current income tax	**(6,276)**	30,295
Deferred income tax, net	**38,519**	(22,231)
Income tax expense	**32,243**	8,064

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2021 and 2020 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% (2020: 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 amounted to RMB61,028,000 (2020: RMB101,362,000) as at 31 December 2021. As at 31 December 2021, deferred income tax liabilities of approximately RMB3,051,000 (2020: RMB5,068,000) have not been recognised for the withholding tax that would be payable on such unremitted earenings of certain subsidiaries of the Group in the PRC.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2021	2020
(Loss)/profit attributable to shareholders of the Company *(RMB'000)*	**(80,841)**	17,660
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**755,096,557**	675,534,913
Basic (loss)/earnings per share	**RMB(0.107)**	RMB0.026

(b) Diluted

Diluted (loss)/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.

	2021	2020
(Loss)/profit attributable to shareholders of the Company *(RMB'000)*	**(80,841)**	17,660
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**755,096,557**	675,534,913
Adjustments for share options	**325,073**	230,829
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**755,421,630**	675,765,742
Diluted (loss)/earnings per share	**RMB(0.107)**	RMB0.026

9. DIVIDENDS

At a meeting of the Board of Directors held on 18 March 2022, the Board of Directors did not recommend any payment of dividend to shareholders for the year ended 31 December 2021 (2020: Nil).

10. LEASES (INCLUDING LAND USE RIGHTS)

(i) Amounts recognised in the consolidated balance sheet

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**5,484**	7,587
Land use rights	**76,583**	78,351
	82,067	85,938
Lease liabilities		
Buildings		
— Current	**—**	1,108
— Non-current	**6,473**	6,654
	6,473	7,762

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

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

Movements in right-of-use assets in 2021 and 2020 are analyzed as follows:

		2021	
	Buildings	**Land use rights**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At 1 January	**7,587**	**78,351**	**85,938**
Additions	**—**	**73**	**73**
Modification of lease term	**(1,494)**	**—**	**(1,494)**
Amortisation charges *(note 4)*	**(609)**	**(1,841)**	**(2,450)**
At 31 December	**5,484**	**76,583**	**82,067**

		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

As at 31 December 2021, certain land use rights of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China, with carrying amount of approximately RMB6,266,000 (2020: RMB6,414,000) were still in the process of applying for the ownership certificates.

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

(ii) Amounts recognised in the consolidated income statement

		2021	
		Right-of-use assets	
	Buildings	**Land use rights**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Amortisation charges *(note 4)*			
Administrative expenses	**609**	**1,841**	**2,450**
Interest expense (included in finance costs) *(note 6)*			**232**
Operating lease expenses in respect of buildings *(note 4)*			**4,235**
Total charges to income statement			**6,917**

		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
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

The total cash outflow for leases in 2021, not considering the receipt of government grant, was RMB4,235,000 (2020: RMB66,067,000).

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

	2021	2020
	RMB'000	*RMB'000*
Unlisted equity investments		
At 1 January	**61,610**	23,146
Additions	**17,696**	9,800
Fair value changes	**14,593**	28,664
At 31 December	**93,899**	61,610

During the year ended 31 December 2021 and 2020, 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, categorised in level 3 of the fair value hierarchy, were determined mainly based on direct comparison approach by making reference to quoted market price earnings ratios and recent transaction prices of similar deals.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

12. TRADE RECEIVABLES

The credit period ranges from 30 to 90 days (2020: 30 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2021 was as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 30 days	**5,153**	9,792
31 — 180 days	**—**	1,251
Over 365 days	**47**	1,453
	5,200	12,496
Less: provision for impairment	**(47)**	(1,456)
Trade receivables — net	**5,153**	11,040

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Unlisted units in investment fund/unlisted equity investments		
At 1 January	**56,942**	—
Additions — unlisted units in investment fund *(note a)*	**8,000**	56,197
Additions — unlisted equity investment *(note b)*	**2,000**	—
Fair value changes *(note c)*	**(15,122)**	745
At 31 December	**51,820**	56,942

Notes:

(a) The fair value of the investment fund was determined mainly based on statement of net value of the fund. The fair value measurement is categorised within level 2 of the fair value hierarchy.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (continued)

(b) The fair values of the unlisted equity investment was 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.

(c) During the year ended 31 December 2020, the Group made investment in an unlisted units in investment fund. The fair value 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. In 2021, the losses arising from changes in fair value amounting to RMB15,122,000 (2020: fair value gain of RMB745,000).

14. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date as at 31 December 2021 was as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 30 days	**89,185**	83,961
31 — 180 days	**8,957**	2,386
181 — 365 days	**1,690**	—
Over 365 days	**489**	—
	100,321	86,347

15. BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Current		
Short-term bank loans — unsecured	**8,000**	8,000
Short-term bank loans — secured	**79,800**	10,000
Bank overdraft — secured	**9,564**	52,199
Total borrowings	**97,364**	70,199

The secured borrowings of the Group as at 31 December 2021 and 2020 were secured by the Group's land use rights, buildings and restricted bank deposits.

For the year ended 31 December 2021, the weighted average effective interest rates on borrowings were 2.99% (2020: 2.48%) per annum.

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

	2021	2020
	RMB'000	*RMB'000*
USD	**9,564**	52,199
RMB	**87,800**	18,000
	97,364	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, rice wine and other food and snacks products under "Qinqin (親親)", "Shangerry (香格里)" and "A Snack Shop (親親物語)" brands.

INDUSTRY ENVIRONMENT

The outbreak of the COVID-19 pandemic is still raging around the world. Although the economic development in PRC has gradually recovered, the global supply chain is still affected by the epidemic resulting in rising raw material prices. In addition, labor costs in PRC also increased. The new normal of China has also changed the traditional consumption patterns of the people in PRC, which caused a brand-new change in the business operating environment. Therefore, the food and snacks industry will face new challenges and opportunities.

With the improvement of consumers' health concept and the continuous improvement of living standards, consumers' consumption pattern is changing to the direction to pursue products with focus on flavor, nutrition, enjoyment and function. Enterprises have to introduce new innovative products with high-quality and nutrition value timely to adapt to changes in consumers' demand and preferences. In addition, marketing development and consumption habits are also an important part, which requires companies to embark on a fast, healthy and sustainable development path through implementation of business strategies. Coupled with factors such as the increasing imported food competitions, rising raw material prices and labor costs, snack food companies will not only compete with companies in the industry in the PRC, but also facing competition with foreign companies. Despite facing various challenges, the Group still believes that food and snack industry in the PRC will continue to develop with the overall economic development and rising consumer demand in PRC, and expected that it still has huge development potential in the future.

BUSINESS OVERVIEW

In 2021, the Group's total revenue increased by approximately RMB67.5 million or 8.5% from RMB792.8 million in 2020 to RMB860.3 million in 2021. The increase in revenue was mainly due to the growth in product sales volume, which in turn was mainly attributable to the Group's continuous adjustments on product mix and sales strategies, and its focus on new product development to enrich the product portfolio, so as to increase overall product sales volume and market share.

Although there was an increase in revenue and sales volume in 2021, both the gross profit and gross profit margin for the year dropped, which was mainly attributable to the increase in costs of certain raw material, staff costs and manufacturing overheads. The gross profit for the year was approximately RMB214.3 million (2020: RMB251.1 million), representing a decrease of 14.6% year-on-year; while gross profit margin was 24.9% (2020: 31.7%), representing a decrease of approximately 6.8 percentage points year-on-year. The Group recorded a loss attributable to shareholders of the Company of approximately RMB80.8 million in 2021 as compared to a consolidated net profit of approximately RMB17.7 million in 2020 due to the following key contributing factors:

(i) In accordance with the strategic development plan of the Group, the Group completed the development and construction of four new production bases located in difference regions in the PRC including Xiaogan City, Hubei Province, Jining City, Shandong Province, Meishan City, Sichuan Province and Ningxia City, Gansu Province. These production bases have just commenced operations in the second half of 2020 and the first half of 2021 and still in a state of loss. As it would take time to achieve economies of scale, this resulted in an increase in production costs and administrative expenses during the year. The new production bases recorded a net loss of RMB38.8 million in 2021 (2020: net loss of RMB12.4 million), which reduced the Group's net profit for the year by approximately RMB26.4 million;

(ii) the increase in costs of certain raw material and manufacturing overheads which lowered the Group's net profit by approximately RMB31.6 million in 2021;

(iii) the increase in employee wages and salaries and benefit expenses (after deducting the impact of the above-mentioned new production bases) by approximately RMB33.4 million in 2021 mainly due to salary increment and there was a one-off waiver of social insurance contribution by the Group in 2020 for its employee in Mainland China in which no such waiver was granted in 2021;

(iv) the reversal of deferred tax assets in relation to tax losses recognised in prior years for certain of the Group's subsidiaries in Mainland China of RMB25.4 million (2020: Nil), considering that the utilisation of the tax losses is no longer probable;

(v) the Group recorded a net loss of RMB15.1 million during the year (2020: net gain of RMB0.7 million) in profit or loss due to the fair value change of the Group's investment in an unlisted units in investment fund, which were measured at fair value through profit or loss; and

(vi) the above contributing factors for the additional net losses in 2021 were partly offset by the increase in profit due to the overall increase in sales and the decrease in net loss of e-commerce business as the Group increased the proportion of sales of higher margin products through e-commerce channels in 2021.

In 2021, there was an increase in the 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 fair value gain through comprehensive income (after deduction of related income tax provision) of RMB11.0 million in 2021. With the combined effect of the consolidated net loss and the fair value gain on investments, the total comprehensive income decreased from RMB39.4 million in 2020 to total comprehensive loss of RMB70.2 million in 2021.

Jelly products

Sales of jelly products in 2021 were approximately RMB473.0 million (2020: RMB421.3 million), representing an increase of 12.3% as compared with last year, and accounting for 55.0% (2020: 53.1%) of total revenue of the Group. Gross profit margin was 27.5% (2020: 33.4%), representing a decrease of approximately 5.9 percentage points as compared with last year.

In 2021, the Group continued to adjust its product mix, on the basis of its existing products, developing and launching new products, including products such as「乳益悠悠乳酸菌果凍」,「小芯意擠擠果凍」,「小小可吸果凍」,「濃郁芝士布丁」,「布丁小方凍」and「乳酸菌味棒冰棒」. As the target promotion products of new jelly products,「乳益悠悠乳酸菌果凍」and「小芯意擠擠果凍」used the new squeeze-bag for individual packaging instead of the small-cup packaging, and consumers can enjoy a new experience that is safer, hygiene, healthier and more convenient. The「小Q仔布丁」, which targets the children's market, also completed the appearance and packaging upgrade of the entire series of product during the year. After the addition of new products, new flavors and packaging upgrade, jelly products have a richer variety. During the first half of 2021, the Group slightly lowered the net selling price of certain products to increase product sales volume, resulting in the increase in both revenue and gross profit of new products and existing products. However, as the selling prices of certain products decreased and there was also an increase in certain raw material prices, manufacturing overheads from the deployment of new production equipment and labor costs (due to the increase in overall wages) during the year, resulting in an increase in the unit production cost of the Group's products and a decrease in gross profit and gross profit margin. In the last quarter of 2021, the Group has raised product price to reduce the impact of increase in cost and increased the proportion of sales of higher margin products, to improve gross profit margins.

Crackers and Chips

Sales of crackers and chips in 2021 were approximately RMB225.4 million (2020: RMB217.7 million), representing an increase of 3.5% as compared with last year and accounting for 26.2% (2020: 27.5%) of the total revenue of the Group. The gross profit margin was 23.9% (2020: 37.2%), representing a decrease of approximately 13.3 percentage points as compared with last year.

The increase in sales of the crackers and chips business in 2021 was mainly due to the increase in the sales volume of the products. Although sales of the crackers and chips business in the first half of 2021 declined compared to the same period last year, the Group actively improved its sales strategy in the second half of the year and invested more resources to the point-of-sales, resulting in an increase in the sales of new products and a recovery in overall product sales throughout the year. During the year, the Group continued to launch new products to market including「雞味塊」、「親親圈」、「洋蔥圈」and「薯片」, and increased point-of-sales coverage, and actively cultivated new products to become major key items. However, as there was an increase in certain raw material prices, manufacturing overheads from the deployment of new production equipment and labor costs (due to the increase in overall wages) during the year, resulting in an increase in the unit production cost of the Group's products and a decrease in gross profit and gross profit margin. In the last quarter of 2021, the Group has raised product price to reduce the impact of increase in cost and increased the proportion of sales of higher margin products, to improve gross profit margins.

Seasoning Products

Sales of seasoning products in 2021 were approximately RMB83.5 million (2020: RMB74.7 million), representing an increase of 11.7% as compared with last year and accounting for 9.7% (2020: 9.4%) of the total revenue of the Group. The gross profit margin was 31.5% (2020: 36.9%), representing a decrease of approximately 5.4 percentage points as compared with last year.

In 2021, the consumption habits of consumers gradually changed due to the impact of the pandemic, thus created a stay-at-home culture and demand for home cooking have also increased. The Group focused on increasing resources into its point-of-sales and developed more seasoning products for households, which led to an increase in sales volume and sale revenue during the year. As additional expenses and other promotion expenditure were incurred on its point-of-sales supported from its sales strategy and the raw materials price significantly increased in the second half of 2021, despite the proportion of high-margin products increased, the gross profit and gross profit margin still dropped during the year.

Confectionery and Other Products

Confectionery and other products include confectionary products, new snack products under the brand of "A Snack Shop (親親物語)" such as dried fruits, nuts, biscuits, bakery and dried meat and vegetarian snack products, rice wine and sesame candy products, and OEM business. Sales of confectionery and other products in 2021 amounted to approximately RMB78.4 million (2020: RMB79.1 million), representing a year-on-year decrease of 1.0%, accounting for 9.1% of the total revenue of the Group (2020: 10.0%).

Due to the large number of new snack products under the "A Snack Shop (親親物語)" brand, in order to reduce the initial product development cost, it is mainly arranged to be produced by other suppliers and sold mainly through e-commerce channels. These products have low gross profit margins and high selling expenses, resulting in losses. In order to improve the overall gross profit margin and profit margin, the Group reduced sales of such loss-making products through e-commerce channels during the year and increased the proportion of self-produced products with higher gross profit, resulting in a decrease in sales during the year, but an increase in gross profit margin. In addition, new products such as snack rice wine and rice wine juice were launched during the year, which were different from traditional products. Even though they were highly praised by the market, consumers still needed time to accept and adapt, and therefore sales did not meet expectations during the year. In addition, there was an increase in raw material prices and the new rice wine and sesame candy business production bases just commenced operation for a while, and it will take time to achieve economies of scale, resulting in an increase in production costs during the year. Due to the above reasons, the gross profit margin of confectionery and other products was 5.4% (2020: 2.6%), representing a year-on-year increase of approximately 2.8 percentage points.

Distribution and Selling Expenses

Distribution and selling expenses mainly represented staff costs, transportation costs, marketing and advertising expenses and other selling related expenses. Distribution and selling expenses in 2021 were approximately RMB138.1 million (2020: RMB145.2 million), representing a decrease of 4.9% as compared with last year, and accounting for 16.0% (2020: 18.3%) of total revenue of the Group. The year-on-year decrease was mainly attributable to the decrease in marketing and advertising activities in 2021.

Administrative Expenses

Administrative expenses mainly represented staff costs, depreciation of property plant and equipment, utilities and various office expenses and other administrative expenses. Administrative expenses in 2021 were approximately RMB135.7 million (2020: RMB101.0 million), representing an increase of 34.3% as compared with last year, and accounting for 15.8% (2020: 12.7%) of total revenue of the Group. The year-on-year increase was mainly attributable to the increase in administrative costs for the Group's four new production bases. The Group aimed to improve the expense-to-income ratio as the Group's new production bases gradually achieve economies of scale and better operational efficiency.

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. In 2021, the Group completed new strategic investments in three companies. These companies mainly engage in the production or sale of food, beverage and alcohol products in the PRC and abroad.

In 2021, the Group recorded a fair value gain through comprehensive income of RMB11.0 million (2020: 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,「乳益悠悠乳酸菌果凍」and「小芯意擠擠果凍」were mainly promoted to target younger mothers and children market while the products such as「蒟蒻果凍」and「小Q仔布丁」which targets the children market. The Group believes that the continuous launching and distribution of new products to the market will be beneficial to the continuing development and growth of its jelly product business.

For crackers and chips, while maintaining its leading position in seafood crackers and chips, the Group will continue to promote its newly-developed products. Through a series of upgrades in terms of production processes, packaging, product and flavour, the Group sought to enhance its brand influence and market share as well as upgraded its product quality by improving tastes and expanding flavours to cater to the preferences of young consumers and regional features. Meanwhile, the Group has also been enriching the diversified layout of production bases and production equipment and optimising the Group's supply chain system, to maintain the Group's leading position in the market.

For seasoning products, the Group will continue to adopt "make cooking easier" as the target goal for its product and brand development. The Group will aim to increase the proportion of high-margin products through a series of upgrades on packaging and to increase market share and brand influence. The Group will continue to step up the promotion of its seasoning products in two channels, namely the catering market and the household market, develop more sales points, and launch more products to meet the demands of the catering and household markets. Meanwhile, with the aim of seeking market opportunities and new growth drivers in the process of industrialisation of the catering industry, the Group will continue to provide customised products and services to catering chain customers and catering supply chain customers.

For other snacks products, the Group will continue to develop new snack food, including candy, chocolate, biscuits, bakery and rice wine snacks products. As consumers gradually increase attention to healthy diets, the Group will conduct in-depth research on consumer habits, and develop new snack products with a healthy concept, in order to provide consumers with products with different tastes and flavour, and continue to expand new product categories to increase sales revenue.

Promotion and Marketing

The Group continued to adjust its promotion and marketing strategies, and promoted key products through product optimization, enhanced visual effects and increased brand exposure through different promotional channels.

The Group appointed 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 made full use of social media including WeChat, Weibo, TikTok, Xiaohongshu and bilibili to establish effective interaction with young consumers, took an advantage of fan economy and built a private community for large-scale marketing exposure to increase its brand awareness. In terms of sales channels,「咖啡圈」、「巧克力圈」and「蒟蒻可吸凍」were mainly promoted through e-commerce and convenience stores in first and second tier cities based on the behavioral changes of young consumers of this generation. Events to increase discussion points and to bring out discussion topics in Weibo will be held to obtain favorable advantage in the competitive market in PRC.

In addition, the Group will continue to cooperate 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.

Based on the Group's strategic decision, the Group increased the intensity of internet marketing and product promotional activities for its e-commerce business in 2021 with the aim to achieve sales volume growth and increase market share. However, products sold by the Group through e-commerce channels carried a lower net selling price due to higher intensity of product promotional activities and channel expenses. This results in a net loss in e-commerce business during the current year. In order to improve the overall gross profit margin and profit margin, the Group has increased the proportion of self-produced products with higher gross profit sold through e-commerce channels during the year. The Group will further develop and allocate more high margin products for sales through e-commerce channels. In addition, the Group will continue to actively work with new retailers including Alibaba, JD and Pinduoduo 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 formulated a clear development plan for its production facilities and equipment. In the second half of 2020 and the first half of 2021, the Group completed the development and construction of four new production bases located in difference regions in the PRC including Xiaogan City, Hubei Province, Jining City, Shandong Province, Meishan City, Sichuan Province and Ningxia City, Gansu Province in accordance with plans. This is to improve the production capacity, quality and efficiency of the Group in order to meet the long-term development of the Group, and it will further expand the sales of products in the local surrounding areas. The total capital expenditure in 2021 regarding building of new production bases and revamp of existing production bases projects was approximately RMB354.0 million.

Since the new production bases have just commenced operations, it will take time to achieve economies of scale, leading to an increase in production costs and administrative expenses during the year, which is expected to have an impact on the short-term performance of the Group. However, the Group believes that the long-term development and future profit growth of the enterprise will be driven by the optimisation of the Group's resources, the construction and renovation of plants, equipment upgrades to improve its production facilities, production processes and product quality, as well as the improvement of production capacity and efficiency.

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 production lines including jelly products as well as crackers and chips with the world advanced standards. 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, ISO14001 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 the future 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 in terms of operation.

- Expand our distribution channels, strengthen our traditional distribution network, develop and allocate more high margin products for sales through e-commerce channels and further develop other new market access such as snack food branded stores and restaurants channels in order to increase market penetration.

- Continued to complete the construction and transform of 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, strengthen the integration of various softwares, 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 2021. As at 31 December 2021, the Group had cash and bank balances of RMB439.7 million (2020: RMB711.0 million) and bank borrowings of RMB97.4 million (2020: RMB70.2 million).

As at 31 December 2021, the Group's working capital or net current assets were RMB91.7 million (2020: RMB492.6 million). The current ratio, represented by current assets divided by current liabilities, was 1.1 (2020: 2.0). The Group's total equity was RMB1,267.9 million (2020: RMB1,336.0 million), representing a decrease of 5.1%. The decrease in net cash position and net current assets in 2021 was mainly attributable to the Group's capital expenditure incurred for land acquisition, construction of new production bases and production equipment upgrades in PRC to facilitate the Group's long term business development plan.

Cash and bank balances were mainly denominated in HKD, USD and RMB. As at 31 December 2021, pledged bank deposits of RMB22.1 million (2020: RMB66.0 million) were being used as the security for a banking facility of USD8.0 million (equivalent to RMB51.0 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 RMB41.8 million as at 31 December 2021 (2020: RMB56.9 million) in units in investment funds measured at fair value through profit or loss. During the year, there was a net loss of RMB15.1 million (2020: net gain of RMB0.7 million) recorded in profit or loss due to the fair value change of these investments.

As at 31 December 2021, the Group's bank borrowings denominated in RMB bore fixed interest rates ranged from 2.55% to 3.55% per annum (2020: 2.55% to 3.55% 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 2021 (2020: 1.6% per annum). Gearing ratio is equal to net debt position of the Group divided by its shareholders equity. As the Group was in net cash position as at 31 December 2021 and in 31 December 2020, no gearing ratio was presented.

In 2021, the Group invested RMB354.0 million on capital expenditure (2020: RMB318.9 million). The capital expenditure was mainly incurred for land acquisition, construction of new production bases and production equipment upgrades in PRC to facilitate the Group's long term business development plan. 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 2021, the Group had total capital commitments (contracted but not provided for) of RMB215.9 million (2020: RMB378.6 million).

As at 31 December 2021, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB3.7 million (2020: RMB1.1 million).

The Group had no material contingent liabilities as at 31 December 2021 and 31 December 2020.

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 2021, certain land use rights and buildings of the Group with net book value of RMB80.4 million (2020: RMB15.0 million) were pledged for bank borrowings of RMB79.8 million (2020: RMB10.0 million). In addition, the Group had a banking facility of USD8.0 million (equivalent to RMB51.0 million) (2020: RMB52.2 million) 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 RMB22.1 million as at 31 December 2021 (2020: RMB66.0 million).

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2021, the Group had approximately 2,700 (2020: 2,600) employees. For the year ended 31 December 2021, total employee benefit expenses, including directors' emoluments, was approximately RMB203.6 million (2020: RMB155.2 million). The increase in total employee benefit expenses was mainly attributable to the increase in number of employees for the new production bases during the year to facilitate the business expansion of the Group, salary increment and there was a one-off waiver of social insurance contribution by the Group in 2020 for its employee in Mainland China in which no such waiver was granted in 2021.

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 RMB2.5 million (2020: net foreign exchange loss totaling RMB12.2 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 2021 (2020: Nil).

OTHER INFORMATION

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Wednesday, 18 May 2022 (the "**2022 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 Friday, 13 May 2022 to Wednesday, 18 May 2022 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the 2022 AGM , during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2022 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 Thursday, 12 May 2022.

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 was 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 were 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) were 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, was 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 unutilised as at 1 January 2021**	**Amount of proceeds utilised during the year ended 31 December 2021**	**Amount of proceeds unutilised as at 31 December 2021**
	(Approximate) *(RMB in million)*	*(Approximate)* *(RMB in million)*	*(Approximate)* *(RMB in million)*	*(Approximate)* *(RMB in million)*
Upgrade of enterprise resource planning (ERP) system of the Group	15.4	8.2	(8.2)	—
Purchase of machinery and equipment	29.2	—	—	—
Promotion and marketing campaigns	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	—	—	—
Total	196.8	8.2	(8.2)	—

As at the date of this announcement, the Company has fully utilised the above proceeds according to the intended use of proceeds as previously announced.

(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 was 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 were 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) were 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, was 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 unutilised as at 1 January 2021**	**Amount of proceeds utilised during the year ended 31 December 2021**	**Amount of proceeds unutilised as at 31 December 2021**
	(Approximate) *(RMB in million)*	*(Approximate)* *(RMB in million)*	*(Approximate)* *(RMB in million)*	*(Approximate)* *(RMB in million)*
Purchase of machinery and equipment	30.2	30.2	(30.2)	—
Promotion and marketing campaigns	16.9	16.9	(16.9)	—
Provide funding for land acquisition and development costs of new production facilities	101.3	101.3	(101.3)	—
Total	148.4	148.4	(148.4)	—

As at the date of this announcement, the Company has fully utilised the above proceeds according to the intended use of proceeds as previously announced.

Save as disclosed herein, the Company did not have any other fund raising activity during the year ended 31 December 2021 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 that were in force as set out in the CG Code throughout the year ended 31 December 2021 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.

During the period from 23 August 2019 to 6 May 2021, the responsibilities of the Chief Executive Officer of the Group (the "**CEO**") were overseen by Mr. Hui Ching Lau, Chairman and executive director of the Company, with the support of the senior management team of the Group prior to Mr. Wu Wenxu's appointment as the new CEO on 6 May 2021.

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 17 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 believed that it was 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 prior to Mr. Wu Wenxu's appointment as the new CEO on 6 May 2021, thereafter the Company complied with all the code provisions that were in force as set out in the CG Code.

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 2021. 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 2021.

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 2021.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 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 2022

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 (Chief Executive Officer); 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.