亲亲食品

Better Food, Better Life

親親食品集團（開曼）股份有限公司
QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

STOCK CODE：1583

Annual Report 2021

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Hui Ching Lau *(Chairman)*
Wong Wai Leung *(Chief Financial Officer)*
Wu Wenxu *(Chief Executive Officer)*
(appointed as Chief Executive Officer on 6 May 2021)

NON-EXECUTIVE DIRECTORS

Hui Lin Chit
Sze Man Bok
Wu Huolu
Wu Sichuan
Wu Yinhang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cai Meng
Chan Yiu Fai Youdey
Ng Swee Leng
Paul Marin Theil

COMPANY SECRETARY

Wong Wai Leung *FCCA CPA*

AUTHORISED REPRESENTATIVES

Sze Man Bok
Wong Wai Leung

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 1583

HEAD OFFICE IN THE PRC

Wuli Industrial Park
Jinjiang City
Fujian Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2601, 26th Floor
Admiralty Centre, Tower 1
18 Harcourt Road
Hong Kong

LEGAL ADVISERS

Hong Kong

Reed Smith Richards Butler

PRC

Global Law Office

Cayman Islands

Maples and Calder

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

www.fjqinqin.com

INVESTOR RELATIONS CONTACT

Tel: (852) 2169 0800
Fax: (852) 2169 0890
Email: ir@fjqinqin.com.hk

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)**	RMB0.026	
– Diluted	**RMB(0.107)**	RMB0.026	

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	**RMB1.7**	RMB1.8	
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.

On behalf of the board of directors (the "**Board**"), I am pleased to present the results of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021. During the year, the Group continued to focus on the manufacturing, distribution and sale of food and snack products in the People's Republic of China (the "**PRC**").

The Group has restated its vision, mission and values since 2018. In the past three years, the management team has adhered to the "people-oriented" philosophy to carry out its business. In 2021, the Group also redefined its corporate culture of "family, joy and sharing", aiming to allow employees to grow together with us and to share the success along with the corporate development. On the other hand, it also allowed consumers to enjoy the pleasure from its product brand enhancement and product quality upgrades.

In the past three years, the Group has first put its effort into finishing all tough work, including the construction, transformation, and innovation of production bases as well as the improvement of its overall operating efficiency and the remodeling of corporate culture, which not only required heavy investment, but also required additional time to result for the performance.

Despite the operating performance of the Group was not satisfactory during the past three years, the Group believes that it is on the right path towards the goal of becoming a century-old store! Adhering to the people-oriented philosophy along with continuous self-upgrades, the Group will become a bright star in China's food and snacks industry.

PERFORMANCE

In 2021, 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.

The Group continued to develop its businesses in accordance with the strategic work plan and focused on establishing a more solid foundation to support its future development and growth. The key development accomplishments during the year are as follows:

- The Group's overall sales recorded continuous growth in the past two years through continuous product development and innovation, and its revenue increased by 8.5% year-on-year in 2021.

- According to the strategic development plan of the Group, 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, to enhance the Group's production capacity, quality and efficiency, develop new product categories and to further expand product sales in the local surrounding areas.

- During the year, the Group completed new strategic investments in three companies. The Group continued to achieve success in strategic investments in a number of fast-growing consumer goods companies with their fair value increased by RMB14.6 million in 2021.

In 2021, the Group's total revenue increased by 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. During the year, the Group's new production bases still incurred losses as they have just commenced production, and it will take time to achieve economies of scale. In addition, the Group recorded a reversal of deferred tax assets in relation to tax losses recognised in prior years for certain of the Group's subsidiaries in Mainland China, and recorded a net loss in profit or loss due to the fair value change of the Group's investment in an unlisted units in investment fund. As a result, the Group recorded a loss attributable to shareholders of the Company of approximately RMB80.8 million in 2021 (2020: consolidated net profit of approximately RMB17.7 million).

PROSPECTS AND VISION

While the Group recorded a loss in 2021, the Group has implemented strategies in the last quarter of 2021, including the increase in product price to reduce the impact of increase in cost and increasing the proportion of sales of higher margin products, to increase gross profit and profit margins. Although the investment in the new production bases has a short-term negative impact on the financial results of the Group, as the new production bases gradually achieve economies of scale, it will improve the overall production capacity, product quality and production efficiency of the Group and enhance product portfolio, which will be beneficial to the Group's long-term financial performance and development. The Group believes that the strategic planning of the Group, especially our 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 Group's long-term business development.

The Group will continue to put our efforts to expand product portfolio and promote product innovation and upgrades to meet changing consumer preferences. The Group will also strengthen its distribution network in the PRC by enhancing existing cooperation relationships with distributors and expand online sales platform. With the establishment of the new production bases across PRC, production efficiency and capability of the Group will gradually improve and our products will be able to reach an expanded range of local market in PRC and will improve our customer coverage.

The Group's corporate vision is "To become the most innovative food corporation in China through self-enhancement and to create a better life for all", with a business philosophy of "Better Food, Better Life" and a corporate mission of "To be a people oriented company that creates happiness and moments of optimism". The Group will continue to strive to create a new generation corporate culture with focus on "Integrity, Trustworthiness, Passion and Philanthropy".

Our vision and strategic objectives represent our continuing commitment to the long-term development and success of the business of the Group. We are confident that we are well placed to remain competitive during this challenging business environment.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to all our shareholders, customers and other business partners for their long-term attention and support to the Group over the years. I would also like to thank the senior management team and all staff of the Group for their dedication and hard work to the Group during the past year.

Hui Ching Lau
Chairman
Hong Kong, 18 March 2022

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 RMB67.5million 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「鷄味塊」,「親親圈」,「洋葱圈」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 (金瀚辰) 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 report, 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 RMB80.4million (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).

DIRECTORS

Executive Directors

Mr. Hui Ching Lau, aged 42, is the Chairman of the board of directors, an executive director and the chairman and member of nomination committee of the Company. He was a non-executive director of the Company since 22 March 2016 until his re-designation as an executive director on 16 May 2017. He is also a director of most of the subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice on corporate development and investment of the Group. 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. He is also the managing director of Lianjie Investments Group Limited. He has about 20 years of experience in investment management and is responsible for the daily operation and management of Lianjie Investments Group Limited. Mr. Hui is also an executive director of Hengan International Group Company Limited ("**Hengan**" and, together with its subsidiaries, "**Hengan Group**") (a company whose shares are listed on the Main Board of the Stock Exchange, stock code: 1044) since 10 December 2020 and has been appointed as Chief Executive Officer of Hengan Group on 18 August 2021.

During the period from 23 August 2019 to 6 May 2021, Mr. Hui oversaw the responsibilities of the Chief Executive Officer of the Group with the support of the senior management team of the Group prior to Mr. Wu Wenxu's appointment as the new Chief Executive Officer of the Group on 6 May 2021.

Mr. Hui was a director of AGORA Hospitality Group Co., Ltd. (a company whose shares are listed on the Tokyo Stock Exchange, stock code: 9704) from 29 March 2018 to 3 December 2020. Mr. Hui was a non-executive director of China Huiyuan Juice Group Limited ("**Huiyuan Juice**") from 29 January 2018 to 10 January 2019. Huiyuan Juice is a company incorporated in the Cayman Islands with limited liability and whose shares were listed on the Main Board of Stock Exchange of Hong Kong (Stock code: 1886) until 18 January 2021 which the listing status were cancelled by the Stock Exchange. Huiyuan Juice was principally engaged in production and sale of fruit juice, fruit and vegetable juice and other beverages. In October 2019, a winding-up petition and provisional liquidators application at the High Court of Hong Kong was served on Huiyuan Juice. For further details of the proceedings, please refer to the announcements of Huiyuan Juice including that dated 24 January 2019 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0124/ltn201901249978.pdf), 24 October 2019 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1025/2019102401207.pdf), 19 November 2020 (https://www1. hkexnews.hk/listedco/listconews/sehk/2020/1119/2020111901298.pdf) and 30 November 2020 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1130/2020113001375.pdf).

Mr. Hui graduated with a Degree of Bachelor of Arts in Accounting & Finance and Economics from the University of Kent at Canterbury in July 2001, and a Degree of Master of Science in Finance from the University of London (Imperial College of Science, Technology and Medicine) in the UK in November 2002. He also received a Degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in September 2010 in the People's Republic of China.

Mr. Hui is the son of Mr. Hui Lin Chit, the ex-Chairman of the board of directors and a non-executive director of the Company. He is a director of Sure Wonder Limited, a substantial shareholder within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wong Wai Leung, aged 44, is an executive director, the chief financial officer and company secretary of the Company. He is also a director of certain of the subsidiaries of the Group. He is responsible for the corporate development, investment, accounting and financial, and corporate governance matters of the Group. Mr. Wong worked at Ernst & Young in audit assurance from September 2000 to July 2009. He is an independent non-executive director of MediNet Group Limited, a company listed on the GEM of the Stock Exchange (Stock code: 8161), since 19 May 2016 and an independent non-executive director of Vertical International Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock code: 8375), since 24 October 2017. He was an independent non-executive director of Zhongchang International Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 859) from 13 May 2020 to 12 May 2021. He is also a director in a private group ultimately owned by Mr. Hui Ching Lau, which manages investments and trusts for Mr. Hui Ching Lau's family.

Mr. Wong received a Degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2000. He has also been a member of the Hong Kong Institute of Certified Public Accountants since July 2004, and a fellow of the Association of Chartered Certified Accountants since September 2010.

Mr. Wu Wenxu, aged 50, is an executive director of the Company and has been appointed as the Chief Executive Officer of the Group on 6 May 2021. He is also a director of certain of the subsidiaries of the Group. Prior to Mr. Wu's appointment as the Chief Executive Officer of the Group, he was the vice president of the Group, responsible for managing and overseeing overall production activities and the management of the Group's supply chain, production facilities and equipment. He joined the Group in June 1993 and he has rich experience in production and manufacturing, technological innovation and quality control.

Non-Executive Directors

Mr. Hui Lin Chit (formerly known as Hui Chi Lin), aged 68, is a non-executive director of the Company. He was the Chairman of the Company until 12 April 2017. He is responsible for providing leadership, guidance and strategic advice to the Group. He has accumulated over 13 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in November 2008. Mr. Hui is also an executive director and deputy chairman of Hengan, as well as founding shareholder of Hengan Group. He was the chief executive officer of Hengan Group from 1998 to 18 August 2021. Mr. Hui was appointed as executive director of Wang Zeng Berhad on 15 June 2017, a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203. He was redesignated as non-independent non-executive chairman of Wang Zeng Berhad on 25 September 2017.

Mr. Hui is the chairman of United Nations Maritime-Continental Silk Road Cities Alliance and the Jinjiang City Charity Federation.

During the period from 1998 to 2012, Mr. Hui was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**"). During the period from 1997 to 2011, he was also a member of the Executive Committee (at the Eighth CPPCC) and Standing Committee (at the Ninth CPPCC), and deputy chairman (at the Tenth CPPCC) of the All-China Federation of Industry and Commerce. Mr. Hui was also the deputy chairman of the Ninth, Tenth and Eleventh Political Consultative Conference in Quanzhou City and the chairman of the Tenth, Eleventh, Twelfth and Thirteenth Quanzhou Federation of Industry and Commerce. Mr. Hui was accredited with the title of Senior Economist in the People's Republic of China by the Department of Human Resources of Fujian Province in May 1996.

Mr. Hui is the father of Mr. Hui Ching Lau, the Chairman and an executive director of the Company.

Mr. Sze Man Bok, aged 72, is a non-executive director of the Company and a director of certain subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice to the Group. He has accumulated over 13 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in November 2008. Mr. Sze is an executive director, chairman and founding shareholder of Hengan Group. Mr. Sze was appointed as executive director of Wang Zeng Berhad on 15 June 2017, a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203. He was redesignated as non-independent non-executive director of Wang Zeng Berhad on 25 September 2017.

Mr. Wu Huolu, aged 58, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 31 years of experience in food and snacks production, operation and management. He had also acted as a director of Luyan (Fujian) Pharma Co., Ltd, a company which engaged in distribution of medicine and listed on the Shenzhen Stock Exchange (Stock code: 2788) since January 2011 to October 2017. Mr. Wu Huolu is also a director of Fujian Shuncheng Flour Industry Development Co., Ltd. ("**Shuncheng Flour**"). Please refer to the section headed "Continuing Connected Transactions" in the Report of the Directors for further details of the transactions between our Group and Shuncheng Flour.

Mr. Wu is the brother-in-law of Mr. Wu Yinhang's brother. Mr. Wu Yinhang is a non-executive director of the Company.

Mr. Wu Sichuan, aged 57, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 31 years of experience in food and snacks production, operation and management.

Mr. Wu Yinhang, aged 54, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 31 years of experience in food and snacks production, operation and management. He is also an executive director of Shuncheng Flour. Please refer to the section headed "Continuing Connected Transactions" in the Report of the Directors for further details of the transactions between our Group and Shuncheng Flour.

Mr. Wu is the brother of Mr. Wu Huolu's brother-in-law. Mr. Wu Huolu is a non-executive director of the Company.

Independent Non-executive Directors

Mr. Cai Meng, aged 54, was appointed as an independent non-executive director of the Company on 17 June 2016. He is a member of audit, remuneration and nomination committees of the Company. Mr. Cai has more than 18 years of experience in business management consulting services, and has been the chairman of Beijing Hejun Hengcheng Business Management Consultant Corp., Ltd. (previously known as Hejun Consulting Company Limited) since January 2015. The company was listed on the New Third Board of the China Stock Markets (Stock number: 839279) since September 2016. Mr. Cai was a research assistant (lecturer) at Beijing University of Aeronautics and Astronautics (now known as Beihang University) from July 1990 to September 1994. He acted as a deputy general manager of various departments of China Asset Management Co., Limited during the period from May 1998 to June 2002. Mr. Cai was a partner of Beijing Hezhong Huifu Consulting Co. Ltd., a securities investment consulting firm, from November 2002 to March 2008. From March 2008 to March 2014, he was the general manager and project manager of H&J Consulting Co., Ltd (now known as Beijing Hejun Digital Learning Company Limited, a company providing management training services), and was chairman of the supervisory board of the same from August 2014 to December 2015. He has been an independent director of Dajin Heavy Industry Corporation, a company listed on the Shenzhen Stock Exchange (Stock code: 002487) since 4 March 2022.

Mr. Cai obtained a Degree of Bachelor of Laws in July 1990 from Beijing University of Aeronautics and Astronautics, and then a Certificate of Graduation for a post-graduate degree in education from the same university in July 1997. He was then awarded the Certified Management Consultant certification by the International Council of Management Consulting Institutes in June 2006.

Mr. Chan Yiu Fai Youdey, aged 52, was appointed as an independent non-executive director of the Company on 17 June 2016. He is a member of audit, remuneration and nomination committees of the Company. Mr. Chan has 28 years of experience in the legal industry. Mr. Chan has been a partner of David Y.Y. Fung & Co., solicitors since December 2004. He is also an independent non-executive director of Nan Nan Resources Enterprises Limited, a company listed on the main board of the Stock Exchange (Stock code: 1229), since March 2008.

Mr. Chan graduated from the University of Hong Kong with a Degree of Bachelor of Laws in June 1992 and a Postgraduate Certificate in Laws in June 1994. Mr. Chan received a Degree of Master of Laws from the City University of Hong Kong in November 1997 and a Degree of Master of Laws from the People's University of China in June 2001. Mr. Chan was admitted as a solicitor in Hong Kong in February 1997, and in England and Wales in July 1997. He was accredited as a general mediator by the Hong Kong International Arbitration Centre in February 2013.

Mr. Ng Swee Leng, aged 57, was appointed as an independent non-executive director of the Company on 17 June 2016. He is the chairman of audit committee and a member of remuneration and nomination committees of the Company. Mr. Ng has 32 years of financial and managerial experience. Mr. Ng was the Associate Finance Director of Procter & Gamble International Operations Pte. Limited in Singapore from August 2007 to August 2008. He then joined Kraft Foods China and acted as its Chief Financial Officer from November 2008 to June 2013 before he acted as the Chief Financial Officer of GroupM China from June 2013 until February 2016. He was responsible for, amongst others, overseeing the finance functions and corporate governance matters of the aforesaid companies before his appointment as an independent non-executive director of the Company.

Mr. Ng completed the examination of The Chartered Institute of Management Accountants ("**CIMA**") in the UK in November 1989. He has been a fellow of CIMA since September 2000. Mr. Ng was certified as a Chartered Accountant by, and became a member of, the Malaysian Institute of Accountants in June 2001, and has been a member of the Chartered Global Management Accountants in the UK and USA since May 2011.

Mr. Paul Marin Theil, aged 68, was appointed as an independent non-executive director of the Company on 17 June 2016. He is the chairman of remuneration committee and a member of audit and nomination committees of the Company. Mr. Theil has extensive experience in the finance and investment industry. Mr. Theil is the founder of Shenzhen Zhong An Credit Investment Co., Ltd and was appointed as its chairman in January 2008. Mr. Theil has been an independent director of China Industrial Bank Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock code: 601166) since October 2013 and was redesignated as supervisor since June 2021. He is also an independent non-executive director of Hengan since 17 May 2019. Mr. Theil was also formerly a director of Hengan during the period from July 2000 to September 2001.

Mr. Theil graduated from Yale University with a Degree of Bachelor of Arts in June 1975 and a Degree of Master of Arts in East Asian Studies in June 1975. He also graduated with a Degree of Juris Doctor and a Degree of Master of Business Administration from Harvard Law School and Harvard Business School in November 1981 and June 1980 respectively.

SENIOR MANAGEMENT

Mr. Wang Jinwang, aged 39, is the general manager of the Group's digitalization and business process management department. He is responsible for the management of the digitalization and business process management department. He joined the Group in August 2020. Prior to that, he worked at the information management center of Joeone Co., Ltd. as a deputy director from April 2008 to February 2017, he was the head of information department of Dali Foods Group from February 2017 to February 2019 and an IT director at Tries Garments Co. Ltd. from February 2019 to July 2020. He has extensive experience in information and technology, and business process management. Mr. Wang obtained a Degree of Bachelor of Finance (Online Education) from Xiamen University in 2012.

Mr. Zhou Haibo, aged 40, is the general manager of the Group's rice wine products division. He is responsible for the management of production, research and development and sales of the rice wine products division. He joined the Group in May 2003 and has extensive sales management experience. He graduated from Jilin Provincial Taxation School, majoring in Diploma in Accounting.

Mr. Huang Huangshan, aged 37, is the general manager of the marketing department (first division) of the Group. He is responsible for the sales management of the Group's main products. He joined the Group in June 2017. He worked as the general manager of the human resource and administration department of the Group from June 2017 to March 2021. He has been re-designated from the general manager of the human resource and administration department to the general manager of the marketing department (first division) since March 2021. Prior to that, he worked at Hengan Group as human resource manager. He has over 12 years of senior management experience in large enterprises. He graduated from Fujian Normal University, majoring in public service management and minoring in law, with a Degree of Bachelor of Management and a Degree of Bachelor of Law.

Mr. Zhang Xilin, aged 54, is the general manager of the Group's seasoning products division. He is responsible for the management of production and operation, marketing and administration of the seasoning products division. He joined the Group in March 2009 and has extensive experience in market planning and sales management.

Ms. Lin Tzyy Ching, aged 49, is the general manager of the Group's quality management department. She is responsible for the quality management of the Group's product. She joined the Group in July 2018. She worked as the senior research and development engineer of the product management department from July 2018 to September 2021. She has been re-designated from the senior research and development engineer of the product management department to the general manager of the quality management department since October 2021. Prior to that, she worked as a research and development consultant in Happyfood Food Co., Limited (華樂福食品公司). She has accumulated over 17 years of experience in food research and development and has extensive experience in food quality improvement. She graduated from the National Taiwan Ocean University (台灣國立基隆海洋大學), major in food science, and obtained a Degree of Master of Food Science, and received the qualification certificate of senior health manager of the People's Republic of China.

Mr. Zheng Junlong, aged 45, is the vice president of the Group and the general manager of the Group's strategic investment department and the general manager of the Group's risk management department and in charge of the human resource and administration department of the Group. He is responsible for the strategic investment, legal affairs, internal audit and risk management and human resource management of the Group. He joined the Group in June 2017. Prior to that, he worked at the legal compliance department of Hengan Group as a senior legal officer from March 1999 to March 2007, at SKSHU Paint Co., Ltd. as the legal affairs manager from March 2007 to December 2007, at Lianjie Investments Group Limited as a vice president from December 2007 to May 2017, where he was responsible for legal affairs and assisting in handling investment affairs. He has over 21 years of experience in corporate legal affairs, investment management and administration. Mr. Zheng obtained a Diploma in Law (online education) from Beijing Normal University in 2009, and obtained the Enterprise Legal Consultant Qualification Certificate of the People's Republic of China jointly issued by the Ministry of Human Resources of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Justice of the People's Republic of China in December 2003.

Ms. Luo Siyi, aged 37, is the general manager of the human resources and administration department of the Group. She is responsible for the management of the human resources and administration department. She joined the Group in March 2021. Prior to that, she served as the assistant to the general manager of two car dealerships. She has accumulated over 13 years of experience in human resources management. She graduated from Xiamen University, major in business administration, and received a Degree of Master of Business Administration.

Mr. Lin He De, aged 41, is the general manager of the financial management department of the Group. He is responsible for the financial management and corporate governance matters of the Group. He joined the Group in April 2012. Prior to that, he worked as a financial manager in Hengan Group. He has accumulated over 20 years of experience in financial management and corporate governance. Mr. Lin obtained a Diploma in business administration (business management of small and medium-sized enterprises) from Jimei University (集美大學) in July 2016 and a bachelor's degree in management. In September 2019, he was accredited as a certified management accountant by the Institute of Certified Management Accountants. He was subsequently awarded the title of Senior Economist by the Department of Human Resources and Social Security of Fujian Province, the PRC in February 2021.

CORPORATE GOVERNANCE CODE

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") recognise 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 of directors (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 of Hong Kong Limited (the "**Stock Exchange**").

On 1 January 2022, the CG Code has been amended (the "**New CG Code**") and majority of amendments apply to financial year commencing on or after 1 January 2022. The amendments to the New CG Code mainly include: alignment of company's culture with its purpose, values and strategy; establishment of anti-corruption and whistblowing policies; board independence and its diversity; communication with shareholders, publication timeframe of environmental, social and governance reports to be aligned with the annual reports etc.; and rearranging the structure of the code provisions and disclosure requirements. To reinforce and enhance our commitment to the highest level of corporate governance practices and integrity, the Company has adopted various code provisions in the New CG Code and will make necessary disclosure in corporate governance report in the 2022 annual report under the new disclosure requirement of the New CG Code. The code provision numbers in this report follow the code provision numbers of the CG Code before the New CG Code came into effect.

In the opinion of the directors of the Company (the "**Director(s)**"), 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 the deviation from code provision A.2.1 which is explained in the relevant paragraphs of this corporate governance report.

DIRECTORS' SECURITIES TRANSACTIONS

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 as the code of conduct for dealing in securities of the Company by 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 of the Board (the "**Chairman**") in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

BOARD OF DIRECTORS

The Board is responsible for the overall management of the Group, which includes leadership and control of the Company and oversees the Group's businesses, strategic decisions, internal control, risk management and performances. The management team is delegated with the authority and responsibility by the Board for the day-to-day management of the Group. The delegated functions and work tasks are periodically reviewed. Major corporate matters that are specifically delegated by the Board to the management include (1) the preparation of interim and annual reports and announcements for the Board's approval before publishing; (2) implementation of adequate internal controls and risk management procedures; and (3) compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Directors with various professional qualifications, experience and related financial management expertise have contributed to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders. Hence, the Board believes that the current Board composition satisfy the balance of expertise, skills and experience to the corporate governance requirements of the Group as well as the ongoing development and management of its business activities.

The Board comprises twelve 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. The biographies of the Directors are set out in "Profile of Directors and Senior Management" on pages 16 to 19 of this annual report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's interim and annual results. During the year, four regular Board meetings were held and the attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. All Directors are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Pursuant to the articles of association of the Company, all Directors appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Save for the family relationships disclosed in the Profile of Directors and Senior Management set out on pages 16 to 21 of this annual report, the Directors do not have material financial, business or other relationships with one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

All Directors, including Non-Executive Directors, who are appointed to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the next following general meeting after his or her appointment and shall then be eligible for re-election.

Moreover, all Directors (including Independent Non-Executive Directors) of the Company are appointed for a term of three years expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director, or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the articles of association of the Company and/or any applicable laws and regulations. All Directors, being eligible, offer for re-election at the annual general meeting.

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 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 report.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointing a new Director, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire relevant knowledge and skills. All Directors had provided to the Company records of training received during the year, including attended seminars, briefing or workshop and reading materials in respect of regulatory updates about the directors' duties, the Group's business and relevant industry, etc.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, experience, independence and knowledge. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

As at the date of this report, the Board comprises twelve Directors, amongst them, four are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, professional experience, skills and knowledge.

Having reviewed the board diversity policy and the Board's composition, the Nomination Committee considered that the requirements of the board diversity policy had been met and no measurable objective had been set to implement the board diversity policy.

AUDIT COMMITTEE

An Audit Committee has been established by the Board with specific written terms of reference and all members of the Audit Committee are Independent Non-Executive Directors. Pursuant to the Audit Committee's terms of reference, the Audit Committee is authorised to commit Company funds in order to obtain advice from outside legal counsel, accountants, investigatory services or other expert advice. Details of the authority and responsibilities of the Audit Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises four Independent Non-Executive Directors, namely Mr. Ng Swee Leng, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey and Mr. Paul Marin Theil. Mr. Ng Swee Leng is the chairman of the Audit Committee.

During the year ended 31 December 2021, the Audit Committee held two meetings to review the interim and the annual results before their submission to the Board and monitored the integrity of such financial statements; and review the internal control and risk management systems with auditor. The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this report.

The Audit Committee has also discussed and reviewed the key audit matters determined by the external auditor under the new and revised auditor reporting standards under Hong Kong Standards on Auditing for the year ended 31 December 2021.

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Board with specific written terms of reference and all members of the Remuneration Committee are Independent Non-Executive Directors. Details of the authority and responsibilities of the Remuneration Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange. The remuneration committee has adopted model set out in code provision B.1.2(c)(ii) of the CG Code.

The Remuneration Committee comprises four Independent Non-Executive Directors, namely Mr. Paul Marin Theil, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey and Mr. Ng Swee Leng. Mr. Paul Marin Theil is the chairman of the Remuneration Committee.

During the year ended 31 December 2021, the Remuneration Committee held three meetings to make recommendation of the remuneration packages and performance bonuses for the Directors and senior management of the Company and related options granting matters under the Share Option Scheme to the Board for approval. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this report.

Details of the amount of Directors' emoluments for the year ended 31 December 2021 are set out in note 37 to the financial statements.

For the year ended 31 December 2021, the remuneration of the members of the senior management who are not directors are within the following bands:

Remuneration band	**Number of persons**
Within HKD1,000,000	8

NOMINATION COMMITTEE

A Nomination Committee has been established by the Board with specific terms of reference. The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the reappointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and responsibilities of the Nomination Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises four Independent Non-Executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil, and one Executive Director, namely Mr. Hui Ching Lau. Mr. Hui Ching Lau is the chairman of the Nomination Committee.

The Board had adopted a nomination policy, which included the selection criteria and nomination procedures, for nomination of new Directors. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Nomination Committee has also reviewed the structure, size and composition of the Board and concluded that members of the Board has possessed the expertise and independence to carry out the Board's functions and responsibilities during the year ended 31 December 2021.

During the year, Mr. Wu Wenxu was appointed as the new CEO by the Board. In considering the nomination, the Nomination Committee had based on the nomination policy to assess the candidate on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duty and responsibility effectively, etc. and made recommendation to the Board for approval.

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee as well as annual general meeting during the year ended 31 December 2021 are set out below:

	Attendance/Number of Meetings Held during the term of office				
Name of Directors	**Annual General Meeting**	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Executive Directors					
Mr. Hui Ching Lau	1/1	4/4	—	—	3/3
Mr. Wong Wai Leung	1/1	4/4	2/2*	3/3*	3/3*
Mr. Wu Wenxu	1/1	4/4	—	—	—
Non-Executive Directors					
Mr. Hui Lin Chit	0/1	3/4	—	—	—
Mr. Sze Man Bok	0/1	4/4	—	—	—
Mr. Wu Huolu	0/1	4/4	—	—	—
Mr. Wu Sichuan	0/1	4/4	—	—	—
Mr. Wu Yinhang	0/1	4/4	—	—	—
Independent Non-Executive Directors					
Mr. Cai Meng	0/1	4/4	2/2	3/3	3/3
Mr. Chan Yiu Fai Youdey	1/1	4/4	2/2	3/3	3/3
Mr. Ng Swee Leng	0/1	4/4	2/2	3/3	3/3
Mr. Paul Marin Theil	0/1	4/4	2/2	3/3	3/3

* Being the secretary of the meetings

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2021 which gives a true and fair view of the state of affairs of the Group as at 31 December 2021, and of the results and cash flows for year then ended. In preparing the financial statements for the year ended 31 December 2021, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

The Group endeavours to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The interim and annual results of the Company are announced in a timely manner within the limit of two months and three months, respectively, after the end of the relevant periods in accordance with the Listing Rules.

The Directors have acknowledged their responsibility for preparing all information and representation contained in the financial statements of the Company for the year ended 31 December 2021. The statement of reporting responsibilities of auditor is set out in the independent auditor's report.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid/payable to the Company's external auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fee paid/payable** RMB'000
Audit of financial statements	2,000
Other non-audit services	193
Total	2,193

The Company considers that the provision of non-audit services will not impair the objectivity of the auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the design and implementation of the systems of internal controls which covers financial reporting, operations, compliance and risk management of the Company, as well as continuous monitoring the effectiveness of such systems. The Board has delegated such responsibility to the management of the Company. The management, under the supervision of the Board, has established an on-going process for identifying, evaluating and managing significant risks faced by the Group.

The Audit Committee reviews the risk management and internal control systems that are significant to the Group on an on-going basis. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting function, as well as their training programmes and budgets.

During the year, the Company's internal audit department reviewed its internal control procedures and made recommendations to the Board any improvements that can be made to the existing internal control procedures. The internal control and accounting system of the Group have been in place and functioning effectively for the year under review.

The Board is satisfied that the risk management and internal control systems in place covering all material controls including financial, operational and compliance controls for the year under review and up to the date of issuance of the annual report is reasonably effective and adequate.

Risk Management Framework

1. Each business unit is responsible for identifying, assessing and managing risks within its business, ensuring that appropriate internal controls for effective risk management are implemented - principal risks are identified and assessed in the yearly business planning process with action plans to manage those risks;

2. The management is responsible for overseeing the risk management and internal control activities of the Group - regular meetings with each business unit to ensure principal risks are properly managed, and new or changing risks are identified; and

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control - review of the annual internal audit report and consideration of the Audit Committee's recommendation.

The risk management framework, coupled with our internal control, ensures that the risks associated with our different business units are effectively controlled in line with the Group's risk appetite.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With these guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

COMPANY SECRETARY

Mr. Wong Wai Leung has been the Company Secretary of the Company since March 2016. He is a full time employee of the Company and has adequate working knowledge on the Company to discharge his duty as the Company Secretary. Mr. Wong reports to the Chairman of the Company and is responsible for advising the Board on corporate governance matters. For the year under review, Mr. Wong has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to the Company's articles of association and the Companies Act (as consolidated and revised) of the Cayman Islands (the "**Companies Act**"), registered shareholders of the Company (the "**Shareholders**") holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**EGM Requisitionists**") can deposit a written request to convene an EGM at the registered office of the Company (the "**Registered Office**"), which is presently situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The EGM Requisitionists must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Share Registrars will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of the outcome and a EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within a further twenty-one (21) days from the date of the original EGM Requisitionists' request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

There are no provisions in the Company's articles of association or the Companies Act for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceeding paragraph. Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholders' meetings to the Board in writing to the Hong Kong office of the Company whose contact details are as follows or directly by raising questions at the general meeting of the Company:

Suite 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong

Shareholders' enquires

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or call its customer service hotline at (852) 2980 1333.

Shareholders may also make enquiries to the Board at the general meetings of the Company.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision of the CG Code, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to Shareholders.

Declaration, recommendation and payment of dividends of the Company is subject to the approval of the Board, depending on the results of operation, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant from time to time. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Board. The Company does not have any predetermined dividend payout ratio.

INVESTOR RELATIONS

The public are welcomed to give their comments and make enquiries through the Company's website and by means of emails to the investor relations department (email address: ir@fjqinqin.com.hk). The management always provides prompt responses to any such enquiries. During the year ended 31 December 2021, there were no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the Company's website.

ABOUT THE REPORT

Adhering to the corporate mission of "To be a people-oriented company that creates happiness and moments of optimism" and the corporate vision of "To become the most innovative food corporation in China through self-enhancement and to create a better life for all", Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") strive to build a harmonious enterprise. The Group has created a business model for sustainable development with its vigorous promotion on energy-saving and emission-reduction. To satisfy customers' needs, the Group strives to produce high-quality products and service. The Group also shoulders its social responsibility by taking on practical actions, with a vision to pursue a joint development with its staffs, customers and investors, as well as the society.

The Company has prepared its 2021 Environmental, Social and Governance Report (the "**Report**") in accordance with the requirements of Appendix 27 "Environmental, Social and Governance Reporting Guide" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report illustrated the Company's policies and achievements from four aspects, including environment, product, employees and community, with the purpose to enhance our sense of responsibility, awareness and commitment to sustainable development.

Since over 90% of the Group's revenue and businesses occur in mainland China, thus the Report covers the Group's main business information on 10 production companies that operate four major business segments, including jelly, crackers and chips, seasoning products and rice wine, in China and discloses the Environmental, Social and Governance ("**ESG**") performance for the period from 1 January 2021 to 31 December 2021. As the construction of new production bases has been completed and put into operation successively this year, the number of production companies covered by this report this year increased by 3 compared to last year.

The information disclosed in the Report is based on important, quantitative, balanced and consistent reporting principles, with the provision of explanations for those disclosure rules which are not applicable to the Group, and thereby meets the disclosure requirement of "comply or explain". Apart from the environmental information which is disclosed with a focus on the 10 production companies of the Group, all the other information in the Report will be disclosed at the Group's level.

ESG MANAGEMENT

1. ESG Strategies

To boost corporate responsibility competitiveness, the capacity itself has to be supported by a comprehensive ESG management system. The Group continues to consolidate a seamless mix and blend of ESG responsibility motif and operation strategies that will enable us to refine the ESG responsibility management system. The Board of Directors of the Company (the "**Board of Directors**") has always approved the Group's commitment to its corporate social responsibility undertakings and assumed full responsibility for the Group's ESG strategies and reporting. The Board is responsible for assessing and defining the Group's ESG risks and ensures that the Group has formulated appropriate and effective ESG risk management and internal control systems. The Board of Directors reviews the Group's ESG performance annually and approves the Group's annual ESG report.

Our Group's management team is responsible for implementing ESG risk management and internal control systems, as well as reporting to the Board of Directors on ESG-related risks and opportunities, and to provide confirmation regarding the effectiveness of the ESG system.

The Group has established an ESG working group that draws its members from various key departments. The ESG working group is responsible for promoting and undertaking projects and daily management duties, along with setting up a comprehensive system for risk management and internal control, actively assisting the management to coordinate horizontally within the Group, so that each of the functional departments can fully implement each policy and communicate with each other, while effectively provide relevant data and information. The Group will compile reports and provide guidance and trainings based on the collected ESG data and information.

2. Stakeholder Communication

The main stakeholders related to our Group include shareholders and investors, governments and regulatory authorities, distributors and consumers, suppliers and contractors, employees, communities and the environment. The Group is committed to maintaining communication with all stakeholders, to truly understand their opinions and expectations, and through effective and diversified communication channels, which help the Group improve and refine its comprehensive management capabilities and levels on a continuous term. With such undertakings, the Group hope to safeguard the needs of stakeholders. The Group has identified the following distinctive stakeholders:

Stakeholder	Shared objectives	Communication and feedback channels	Frequency of communication
Shareholders and Investors	Steady growth in return on investments Asset preservation and appreciation Explore new markets and opportunities Prevent operation risk Safeguard information rights	— Annual General Meeting — Annual Report and Announcement — Investor Meetings — Investor Relations Events and Website	Multiple per year
Government and Regulatory Authorities	Food safety Green production Operation compliance with law Pay tax in accordance with law	— Monitoring and Inspection — Tax Payment — Policy Consultation, Information Exchange in Meeting and Reporting	Multiple per year
Distributors and Consumers	Produce diversified and delicious premium products Food safety Provide sustainable innovative products Create win-win situation Offer refined customer service and communication channels	— Corporate Public Accounts at WeChat and Weibo — Corporate Website — Service Hotline — Product Order Fairs	Daily
Suppliers and Contractors	Advocate openness and fairness Promote long-term cooperation and development Food safety	— Evaluation on Suppliers — On-site Inspection — Daily Communication	Multiple per year
Employees	Protect employers' benefits and rights Promote occupation health and safety Provide equal employment opportunities Promote career development and training Provide promotion and development Work-life balance	— Labour Union — Management Mailbox — Staff Training — Staff Activities — Staff Interview	Irregular

Stakeholder	Shared objectives	Communication and feedback channels	Frequency of communication
Environment	Preservation of ecological environment Green and low-carbon development	— Government and Regulatory Authorities Inspection — Third Party Inspection Bodies Inspection	Irregular
Community	Facilitate employment Enhance local economic development	— Provide Employment Opportunities — Promote Local Economic Development — Improve Infrastructure at Locality — Poverty Alleviation — Community Charity — Voluntary Services	Multiple per year

3. Materiality Assessment

On the basis of stakeholders communication, the Group has identified and conducted materiality assessment on material issues and related topics according to the "ESG Reporting Guide", important issues of the Company, industry features and social responsibility standards. The Group discloses and responds to relevant subjects in the Report in degrees of detail varying with the materiality result of different subjects, which is shown below:

Materiality Assessment Results

Environmental Protection

The Group insists on a green and low-carbon emission development concept. With regards to its due responsibility on environmental protection, the Group's environmental protection policies are integrated into its corporate development. We enforce the national laws and regulations in the field of environmental protection with rigor, takes further efforts to control pollutants and reduce the total emission volume of pollutants, so as to minimize the environmental impacts of its production and operations, and to achieve growths in both economic benefits and social benefits. We also allocate resources for environmental protection, aiming to ensure that all of its environmental protection and energy consumption indicators comply with national standards. We are working towards improving the efficiency on use of resources and attaining the goal of a pollution-free society in its production and operation processes. On one hand, the Group pays attention to and strictly abides by the laws and regulations in the environmental field; on the other hand, it actively promotes new technologies and new processes, as well as protects and improves the environment by not only cutting wastewater and waste gas emissions but also reducing water, electricity, emissions and resources, effectively integrating green environmental protection into all aspects.

Following the Group's strategic plan, new production bases were built in 2021. In 2021, the Group introduced environmental protection equipment for the new production bases with investment of approximately RMB10 million in order to improve the environmental protection efficiency and meet the national standards, as well as strive to attain the goal of improving the efficiency on use of resources and pollution-free in its process of production and operation. The new production base projects have been in strict compliance with the requirements under the "Environmental Protection Law of the People's Republic of China". All facilities for prevention and control of pollution have met the requirements of the approved Environmental Impact Assessment Document by adopting local sophisticated and reliable processes for the treatment of emissions and wastewater to ensure compliance with discharge standards. The Group has also formulated pollutant management measures and internal control indicators for pollutant emissions based on the operation process of the environmental protection facilities and systems of each base of the Company, and specified the control indicators of each production base to ensure compliance with discharge standards as well as a reduction in pollutant emissions and operating costs.

1. *Waste Gas and Wastewater*

The major emissions discharged by the Group are the waste gas generated from the combustion of fossil fuels during its production and operation, the wastewater generated from various processes during its product production and the dust particles generated from transport. For the pollutants generated during the production, the Group has been in strict compliance with the requirements under the laws and regulations such as the "Environmental Protection Law of the People's Republic of China", continuously improving production process technology and equipment, and taking effective measures when pollutants are generated and discharged, so as to achieve a balance between production operation and environmental protection, so as to reduce the environmental impact of waste water, waste gas, greenhouse gas, hazardous and non-hazardous solid waste generated during the production. The exhaust gas emissions produced from the production facilities such as SO2 and NOX meet the "Emission Standard of Air Pollutants for Boilers of the PRC" and are discharged in an orderly manner through a funnel, minimizing their impacts on the surrounding environment. In addition, our production facilities actively responded to national call for energy saving and emission reduction by eliminating the use of coal and diesel to reduce the reliance on petrochemical products. Some production facilities eradicate the emission of waste gas at source by using natural gas or purchased steam as well as adopting the centralized heating method in production. The waste fume generated during the production will be purified by electrostatic fume pacifier, which effectively reduces the waste gas and pollutants in order to meet the national emission standard.

Wastewater discharged by the Group are mainly production wastewater and domestic wastewater generated during production. The Group has been in strict compliance with the requirements under the laws and regulations such as the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", and therefore ensure that the wastewater discharge indicators are in line with the requirements under the Integrated Wastewater Discharge Standard set out in the National Standards of the People's Republic of China, where all production facilities have built-in sewage treatment systems, and wastewater will meet the discharge standards after treatment. In 2021, following the Group's strategic plan, each newly built production base is equipped with sewage treatment facilities to minimize pollutant emissions. For the odor such as hydrogen sulfide and biogas produced by wastewater treatment, some production bases have adopted the most sophisticated and high-performance sealing collection hood with fluorocarbon fiber membrane to collect the odor, and treat them by spraying and activated carbon adsorption to reduce the impacts of odor on the surroundings.

(1) Management and supervision of pollutants

The sewage treatment stations of the production facilities under the Group are equipped with professional sewage management personnel who are responsible for the dedicated management of wastewater, waste gas and waste residue treatment facilities in the area to ensure the discharge of various pollutants in compliance with the requirements of national laws and regulations. In addition to the daily management of various environmental indicators for each sewage treatment stations of production facilities by a person who is responsible for environmental protection at the production facilities, the Group's environmental protection engineer is dispatched to each production facility every six months to provide technical guidance, supervise and manage the implementation of various environmental protection tasks, and implement the Group's environmental protection work. At the same time, the Group also attaches great importance to environmental management and technical training for environmental protection personnel, and strives to improve and maintain the professional quality of environmental protection personnel. During the year, we carried out a number of environmental protection trainings to improve the comprehensive quality of professional and technical personnel. In 2021, a production base of the Group in Fujian Province was the first to successfully obtain the ISO14001 Environmental Management System Certification. The Group plans to carry out obtaining the ISO14001 Environmental Management System Certification for each base so as to realize the systematic management for environmental protection systems in the next two years.

(2) Discharge of pollutants in compliance with the standards

By strictly complying with the requirements of national environmental protection laws and regulations, the Group conducts online real-time monitoring of discharged sewage, as well as responds to and rectifies the abnormal situations in a timely manner to ensure they are able to stably meet the emission standards. In order to ensure the accuracy of online monitoring data, a third-party institution with environmental testing qualifications will be regularly engaged to monitor various pollutants in the area, including wastewater and odor, and the test reports will be issued. Relevant data will be published on the environmental monitoring platform.

The Group's major emissions in 2021 were as follows:

Emissions	Details of emissions	Emission volume 2021	2020	Unit
Waste gas	Nitrous oxides (NOx)	**0.35**	0.18	Tonne
	Sulphur dioxide (SO2)	**0.0021**	0.0012	Tonne
	Dust particles	**0.0008**	0.0007	Tonne
Wastewater	Chemical oxygen demand (COD)	**77.8**	73.1	Tonne
	Ammonia nitrogen (NH3-N)	**7.8**	7.3	Tonne
	Wastewater volume	**518,982.9**	487,623.0	Cubic metre

Total wastewater emission volume 2021	2020	Unit	Wastewater emission density 2021	2020	Density unit
518,982.9	487,623.0	Cubic metre	**6.06**	6.34	Cubic metre/tonne of products

2. *Greenhouse Gas*

Greenhouse gas emitted by the Group is mainly generated from the energy consumption, which includes natural gas, electricity and steam, during its production. By strictly complying with the relevant requirements under the "Work Plan for Controlling Greenhouse Gas Emissions for the 13th Five-Year Period", the Group is committed to, among others, improving equipment energy efficiency, reducing energy consumption, using clean energy and conducting refined product management, in order to reduce the emissions of greenhouse gas.

Based on the nature of the Group's business, the major gas emissions are greenhouse gas, sulphur dioxide and dust which are mainly derived from the use of electricity and fuels converted from fossil fuels. The Group's calculation for greenhouse gas mainly covers carbon dioxide, methane and nitrous oxide. Greenhouse gas emissions information are calculated in accordance with the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange. Scope 1 of greenhouse gas includes the greenhouse gas emission generated directly from the Group's operation; Scope 2 of greenhouse gas is generated from the Group's internal consumption of electricity, heat and steam which led to the "indirect energy" greenhouse gas emission.

The Group's major greenhouse gas emission volume and emission density in 2021 were as follows:

Greenhouse gas emissions	Emission volume 2021	2020	Unit
Direct greenhouse gas emissions	**4,917.99**	2,770.58	Tonne of carbon dioxide equivalent (tCO2e)
Energy indirect greenhouse gas emissions	**25,215.94**	22,653.68	Tonne of carbon dioxide equivalent (tCO2e)
Total greenhouse gas emission volume	**30,133.93**	25,424.26	Tonne of carbon dioxide equivalent (tCO2e)

Total greenhouse gas emission volume 2021	2020	Unit	Greenhouse gas emission density 2021	2020	Density unit
30,133.93	25,424.26	Tonne of carbon dioxide equivalent (tCO2e)	**0.35**	0.33	Tonne of carbon dioxide equivalent (tCO2e)/ tonne of products

3. *Waste Management*

The Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". After the Group classifies, collects and centrally stores hazardous waste in accordance with the "Administrative Measures for Hazardous Waste Management", hazardous waste is treated and thus rendered harmless by qualified third-party companies before disposal, which meets the standard of causing no harm to human health and reduces secondary pollution in environment from source.

In 2021, the Group's newly built production bases have been established in accordance with the requirements of laws and regulations. Recyclable production waste storage warehouses, domestic waste transfer warehouses, hazardous chemicals warehouses, hazardous waste warehouses, etc. have been set up to recycle the recyclable production waste resources. Non-recyclable waste is reasonably classified, stored, and treated and thus rendered harmless.

For non-hazardous wastes, the Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". Non-hazardous wastes are treated and thus rendered harmless, separated before disposal and finally recycled and reused by the companies with relevant qualifications. The Group continually introduced waste recycling treatments at its production facilities, recycled useful constituent and energy from solid wastes to cut down consumption of resources.

The volume and density of wastes generated by the Group in 2021 were as follows:

Waste discharge	Unit	2021	2020
Total discharge of hazardous wastes	Litre	**442.4**	243.5
Density of hazardous waste discharge	Litre/tonne of products	**0.005**	0.003
Total discharge of non-hazardous wastes	Tonne	**1,854.85**	1,809.08
Density of non-hazardous waste discharge	Tonne/tonne of products	**0.0220**	0.0235

Note: (1) Hazardous wastes include ink, detergents etc.

(2) Non-hazardous wastes are mainly: plastic, sludge, waste paper, production wastes etc.

In 2021, all production bases strived to carry out measures to improve and upgrade production equipment in the production process as well as integrate and optimize the existing production lines. In 2021, the Group purchased environmental protection equipment for the new production bases with investment of approximately RMB10 million in order to improve the environmental protection efficiency and meet the national standards, as well as attain the goal of improving the efficiency on use of resources and pollution-free in its process of production and operation.

In view of the targets of the Group is to continuously reduce emission and waste and to conserve resources in 2021, certain of the Group's targeted performance indicators and were not met satisfactorily during the year. The following is the analysis of pollutant and waste emissions during the year:

- Analysis of pollutant emission

  - The total emission volume of waste gas (including NOx, SO2 and dust particles) increased by 94% compared to last year, while the emission density of greenhouse gases increased by 6.1% compared to last year. Waste gas and greenhouse gases are mainly produced when natural gas is consumed. In 2021, the consumption of natural gas of the Group increased by 99% when compared to last year, mainly due to higher energy consumption beyond economies of scale in terms of operation as a result of improved output as well as trial run of machines, product quality test and trial production carried out by the Group's new production bases before the commencement of operation during the year. In 2022, the Group will target at reducing the emission volume of waste gas and greenhouse gases year-on-year as the production efficiency of the new production bases is expected to be improved due to the growing production volume.

  - The emission density of wastewater reduced by 4.4% when compared to last year. The Group's wastewater is mainly derived from the production process of jelly products. In 2021, the Group invested in the construction of sewage treatment equipment for the new production bases and continued to improve the water consumption and sewage discharge of other production bases. In 2022, the Group will target at reducing the emission density of wastewater year-on-year.

- Analysis of waste emission

  - The volume of hazardous wastes generated per packaging unit increased by 67% when compared to last year. Hazardous wastes are mainly derived from inkjet coding and ink detergent used on the product packaging, including packaging screw caps of jelly products and codes on the product packaging. In 2021, the production volume of the Group's related products increased, resulting in an increase in the usage of inkjet and ink detergent. In 2022, the Group plans to partly eliminate ink and detergent by replacing some of the existing inkjet printers with laserjet printers, and it will continue to research study other feasible packaging methods which will be gradually expanded to other products with an aim of a year-on-year reduction in hazardous wastes.

  - The volume of non-hazardous wastes reduced by 6.4% when compared to last year. The Group has increased the recycling rate of plastics and paper by striving to enhance the environmental protection awareness and knowledge about recycling of all employees. In 2022, the Group will target at reducing non-hazardous wastes year-on-year.

4. *Use of Resources*

The Group is committed to maximizing the recycling of resources in the entire lifecycle of products (research and development, production and elimination), and continues to work forwards energy-saving and emission reduction.

(1) Energy Consumption

The major energy consumption of the Group are natural gas, electricity and steam consumed during its production. By strictly complying with the "Energy Conservation Law of the People's Republic of China", the Group always strives to increase its energy efficiency and continuously strive to improve its energy performance.

In accordance with the "Continuous Production Improvement and Management Measures of Qinqin", the Group's continuous production improvement committee assesses the improvement proposals submitted by each production facility every year and announces the awarded improvement proposal accordingly. The Group also encourages all staff to actively participate in the improvement activities, successively and continually improves and optimizes various production processes and equipment, effectively reduces energy waste and production costs, enhances product quality and production effectiveness and efficiency, as well as facilitates its operational management and improvement in effectiveness.

The Group's total energy consumption in 2021 were as follows:

Energy	**Type of energy**	**Volume**		**Unit**
		2021	2020	
Direct energy	Natural gas	**1,852,770.14**	930,855.88	Nm^3
Indirect energy	Purchased electricity	**30,749,513.01**	26,885,420.20	Kilowatt-hour (kWh)
	Purchased steam	**64,990.89**	66,095.91	Tonne

Total energy consumption		**Unit**	**Energy consumption density**		**Density unit**
2021	2020		**2021**	2020	
66,124.97	50,687.23	Megawatt hour (MWh)	**0.77**	0.66	Megawatt hour(MWh)/ tonne of products

(2) Water Consumption

The major water consumption of the Group is derived from its production and living water usage. By strictly complying with the requirements of the laws and regulations such as "Water Law of the People's Republic of China", the Group continues to carry out watersaving technology assessment and application in order to reduce water consumption. The Group obtained its water supply from tap water supplied by water supply companies controlled by relevant local governments. As water supply is a public utility regulated by the PRC government, the Group has not experienced a material shortage during the year. The Group processed the water supplied to the Group according to industry standards before it is used for product production. To monitor water quality, water used by the Group undergoes quality checks in each location of its production facilities.

The total water consumption of the Group in 2021 were as follows:

Total water consumption volume 2021	2020	Unit	Water consumption density 2021	2020	Density unit
800,961	769,856	Tonne	**9.35**	10.00	Tonne/tonne of products

The analysis of energy and water consumption in 2021 was as follows:

- Water consumption density reduced by 6.5% when compared to last year due to the investment in production equipment and the continuous improvement of more advanced sewage treatment and recycling equipment utilized by the Group such as addition of the steam condensate recycling equipment and automated parboiling system, which are effective for saving water, thereby improving water consumption efficiency. In 2022, the Group will target at reducing the water consumption density year-on-year.

- Energy consumption density increased by 16.7% when compared to last year due to higher energy consumption beyond economies of scale in terms of operation after the completion and operation of the new product bases during the year as a result of construction of new production bases as well as trial run of machines and production before operation. In 2022, the Group will target at reducing the energy consumption density year-on-year as the production efficiency of the new production bases is expected to be improved due to the growing production volume.

The Group will actively adopt the following measures to improve the efficiency of energy and water consumption in the future, including:

(1) recycle steam condensate to sewage station heating pool to improve steam utilization efficiency and conserve steam;

(2) installation of cooling equipment to prevent the discharge of cold water and save water resources;

(3) addition of a steam cleaner to recover steam for drying the equipment and to save water resources;

(4) improvement of the existing production and environmental protection equipment in the production bases, so as to be in line with the new production bases and to improve the energy consumption efficiency.

5. *Raw Material Consumption*

In terms of raw material consumption, in order to reduce waste, the Group has adhered to the consumption standards on the consumption of packaging materials and raw materials for various production units and individual products. The Group carries out assessment on the relevant key performance indicators monthly and annually. There are reward and punishment systems based on the result of the assessment. Whether the material consumption exceeds the acceptable level will be directly linked to the salary of each employee. Such policy uses performance tools to guide employees in all positions to actively concern about material consumption and effectively reduce material discharge.

The Group's total consumption of packaging materials for finished products and the consumption per unit of production in 2021 were as follows:

Type of packaging materials	**Volume of packaging materials**		**Unit of material consumption volume**	**Density of packaging materials**		**Density unit**
	2021	2020		**2021**	2020	
Plastic	**6,089.31**	4,917.30	Tonne	**0.07**	0.06	Tonne/tonne of finished products
Paper	**8,484.91**	7,674.44	Tonne	**0.10**	0.10	Tonne/tonne of finished products

The Group will actively adopt the following measures to reduce the consumption of packaging materials in the future, including:

(1) improvement on the device of printing ribbon cartridge to increase the usage of ribbon cartridge and reduce ribbon cartridge waste.

(2) purchase of automated packaging lines to reduce errors during the packaging process and the waste of packaging materials in the new production facilities.

(3) implementation of a new internal system to streamline the administrative and audit procedures and reduce the usage of paper internally.

6. *Environment and Natural Resources*

The Group's business activities have had minimal impacts on the environment and natural resources as the Group promotes that the production process for each business section must be clean, which is in line with energy-saving and emission-reduction policies. Through continuous innovation of "green design" and "green products", the philosophy of environmental protection has been implemented on raw material procurement, production and sales of products. We also value the importance of environmental management. While safeguarding the interests, we can firmly establish a harmonious relationship with the natural environment, effectively implement the philosophy of sustainable development, and reduce the impact on the environment and natural resources.

7. Climate Change

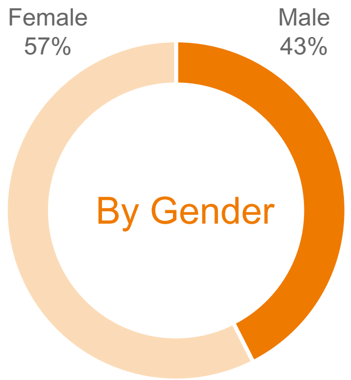
Rising global temperatures and changes in rainfall patterns, along with recurrent heatwaves and droughts, could cause adverse impact to crop health and productivity. The rising temperature will also affect the growth time of crops. Some of the Group's raw materials are natural agricultural products, of which the output is affected by the climate. Due to the increase in the average temperature of the farming areas, the output will decrease and may affect the price, which will be a burden in respect of the cost, sales and product development of the Group. Since the rise in temperature is mainly due to the emission of greenhouse gases, the Group will strive to look for environmentally friendly equipment and production procedures that reduce the greenhouse gas emissions in the future, so as to resolve the climate crisis.

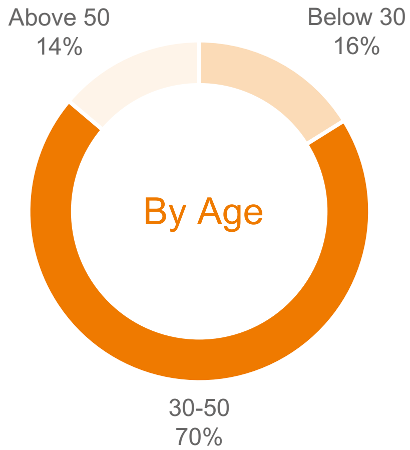
Society

1. Employment

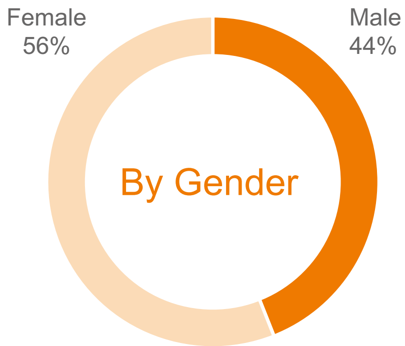
In accordance with the requirements under the laws and regulations as stated in the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China", the Group complies with and constantly optimises its personnel management system, establishes an effective employee protection mechanism to protect the legitimate rights and interests of employees and proactively strive for harmonious labour relations. The Group has formulated the "Personnel Management System of Qinqin". The Group hires employees with different nationalities, genders, ages and religious beliefs, and is always upholding the principles of fairness, impartiality and openness in service appointment. Thus, all of the Group's employees are entitled to equal opportunities and equivalent treatments. In accordance with the "Remuneration Management System of Qinqin", through the establishment of a remuneration management system that integrates position, performance and competence by the Group, the employees are encouraged to learn on their own initiative and to work hard, thereby enhancing their skills and overall quality.

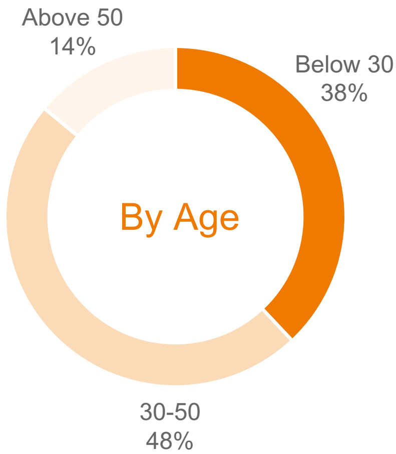
At the end of the reporting period, the Group has 2,681 employees. The following figure sets forth the employee structure by gender and age group:

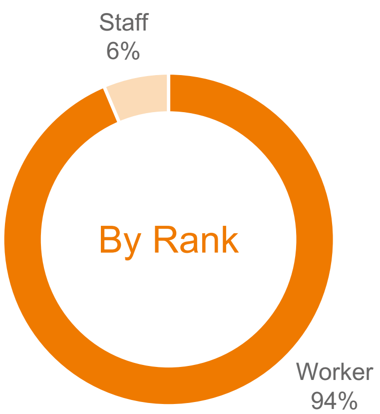




At the end of the reporting period, the employees' turnover rate was 66%. The following figure sets forth the employee structure by gender, age and rank group:







Staff includes office staff and administrative staff at all levels

(1) Fair Employment

The salary provided by the Group's to its staff members is not less than that stipulated by the local minimum wage law, while the overall salary has considered other attributes, including duties and responsibilities, capabilities, knowledge, and experience of the incumbent, and the corresponding standard pay scale for the specific post in the hierarchy ranking, that conforms with the appropriate pay range. Also, in assessing the overall salary, the Group will calibrate against the internal pay scale and performance of the respective incumbent, so that the salary package will represent a fair and justified reward to the staff that corresponds to his/her value returns to the Company. Besides salaries, the Group provides employees with various employees' benefits, including bonuses for performance, contribution, and other allowances such as high-temperature allowances (for working outdoor at high temperature), birthday cash gifts, wedding cash gifts, holiday benefits, reimbursement to cover travel expenses for visiting relatives for staff of management level, staff dormitories, and allowance for housing rentals outside working venues. In addition, pursuant to the terms of the share option scheme adopted by the Company, the Group can grant share options to eligible staff members.

In compliance with the relevant requirements under the "Labour Contract Law of the People's Republic of China", the Group will not dismiss employees without reasonable causes. The labour contracts contain provisions setting out the rights and obligations of the parties to protect the lawful rights and interests of workers and to build and develop harmonious and stable labour relations.

The Group upholds the principles of openness and fairness for recruitment in accordance with the relevant regulations. Various types of discrimination are prohibited. The recruitment process is solely based on the assessment of individual capabilities of candidates, regardless of race, colour, gender, age and religious beliefs. All employees and job applicants are entitled to equal opportunities and fair treatments. Such diversification in service appointment helps to enhance the strengths of the Group. It also attracts different talents with various skills. The Group treats every employee's contribution fairly.

(2) Working Hours and Holidays

The Group's working hour policies for its employees have been in strict compliance with the requirements under the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China", which ensure sufficient rest time and appropriate work-life balance for employees. On the New Year's Day, Spring Festival, Ching Ming Festival, International Labour Day, Dragon Boat Festival, Mid-Autumn Festival, National Day and other statutory holidays provided under the relevant laws and regulations, workers are allowed to take leave, aiming to increase their sense of wellbeing.

2. *Health and Safety*

The Group is committed to providing employees with a healthy, safe and comfortable working environment. In addition to national policies and regulations, the Group has formulated systems and regulations including the "Safety Work Management Measures for the Production and Operation Department", which ensure the health and safety of employees. The Group has also established a production safety team, and it has further provided basic management work and secured production safety. The Group regularly trains employees on safety production practices, purchases suitable protective devices and tools for employees, and posts safety warnings and signs at workplaces, with the aim to constantly reminding employees to be cautious of hidden dangers. Every year, the Group arranges medical examinations for employees in order to protect the health of each and every employee. In the past three years, the Group has not had any employee work-related death cases.

(1) Production Safety

The Group enhances the safety and precaution awareness and self-protection abilities of all staff through safety training, regularly distributes various labor-protection supplies according to the job needs of each post, as well as supervises and educates them on proper wearing and use of such supplies. The Group identifies responsible personnel for production safety in departments, implements safety education, training and publicity, and regularly arranges relevant personnel to conduct safety inspections in workplaces, so as to identify safety issues in time to eliminate hidden dangers, and also carries out fire drill trainings with the fire department on a regular basis. The Group installs dust and exhaust devices for facilities that generate dust and waste gas. For the equipment generating excessive noise, priority is first given to eliminating or reducing noise sources, then to control over the spread of noise, and last to wearing protective equipment.

(2) Occupational Safety

The Group conducts occupational health examinations on frontline staff on a regular basis, offers check-ups once every year for staff above employee level, and creates occupational health management files, so as to protect their physical and psychological health, which enables them to pay attention to personal health during their work. The Group has been in strict compliance with the regulations of the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" and the "Measures for the Administration of Occupational Health Examination", and regularly carries out pre-employment, on-job and pre-departure occupational health examination annually. The Group cares about the physical conditions and working environment of each employee and their daily activities in the Group.

(3) Hazard Identification and Control Measures

The Group identifies and evaluates the risk factors present in the existing workplaces, and it determines the necessary control measures to eliminate and reduce risks and to achieve system security. For potential emergencies (such as fires, flammable leaks, typhoons, accidental injuries), each of the production facilities has formulated the "Environmental Emergency Response Plan of Qinqin", such plan details the possible and unpredictable environmental events and existing risks within the Group and the corresponding emergency plans and response control procedures in place and manages them according to emergency procedures.

(4) Pandemic Prevention and Control

In January 2020, the Group established a working group on pandemic prevention and control to comprehensively coordinate pandemic prevention work at the Group's headquarter and each production facility, and has set up working groups on pandemic prevention for each production facility to ensure the pandemic prevention works are properly implemented. According to the relevant national regulations and requirements of local governments, the Group has issued "Management Measures for Prevention and Control of COVID-19 (親親公司預防新型冠狀病毒股炎防疫管控工作管理辦法)" and appointed heads of production facility as chief responsible persons to supervise each working group on making contingency plans. We also allocated all our people to enhance preventive and hygienic disinfection measures for the best in disease prevention and control.

As employees resume work, the Group has set up checkpoints for prevention and control at the entrances and exits of each facility, where daily temperature checks and identity verification and registration are conducted for personnel entering, particularly to ensure that the health monitoring measures (i.e. confirming health conditions of personnel entering and exiting and whether masks are properly used) are in place. Vehicles and goods must be disinfected before entering the factory. As for employees who are returning to work, each department should inform the working group in advance about their transportation, time, route of travel, activity records, temperature and other relevant information. Every employee must fulfill the return-to-work requirements before resuming work.

To ensure the smooth operation of the production and the health and safety of our employees, the Group has prepared sufficient sanitary and personal protective equipment such as masks, disinfectants, protective gear, and infrared thermometer for daily use at each production facility. Meanwhile, each working group will regularly disinfect and sterilize the production area, office area, staff dormitory, canteens and surroundings of the facility every day, to safeguard a safe working and living environment for our employees.

In addition, in order to raise employees' awareness in disease prevention and complying with the social distancing requirements, the Group has formulated the following measures:

- Reporting health condition for timely employee condition tracking
  The working group on pandemic prevention and control will coordinate with each department and production facility on the compiling of pandemic prevention and control report. They timely monitor employees' health conditions through statistics gathered from WeChat and daily temperature checks, to ensure a full coverage condition tracking with zero-miss among all employees.

- Catering management and separate dining at different times
  Canteens at each facility arrange employees to dine in turn through takeaway catering for minimizing the risk of cross-infection. All personnel are required to keep a distance of at least 1 meter from others and wear masks when waiting in line, and are only allowed to take off the mask when dining. Each should dine alone at one table and leave the table after finishing their meal for the convenience of next diners.

- Shift-duty and home office to reduce gatherings
  In order to effectively reduce gatherings and stop the transmission of the disease, with the recommendations from the working group on pandemic prevention, the Group has adopted flexible working measures. Under shift-duty arrangement, some employees are required to work from home and submit work logs through our human resource system to report daily work plans and progress, so as to ensure an orderly operation of each department.

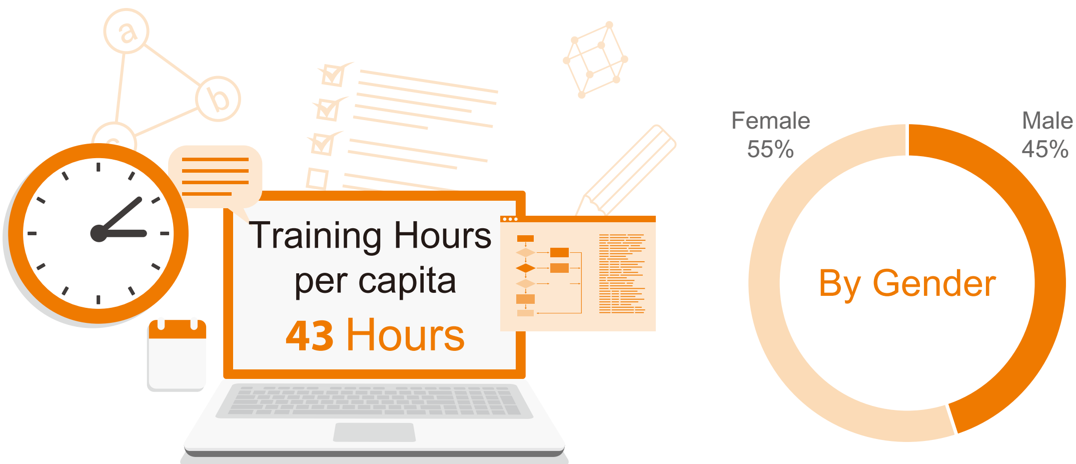
- Education and publicity to promote pandemic prevention and control knowledge
  Each working group on pandemic prevention carries on education and publicity of pandemic prevention and control for employees through various ways, such as posting posters, billboards, TV broadcasts, WeChat media, and publishing COVID-19 prevention and control knowledge. It also strengthens positive publicity and guidance to continuously improve employees' awareness of prevention and control, to eliminate panic, and to guide employees not to believe in rumors, not to spread rumors, and counter the pandemic scientifically.

3. *Development and Training*

The Group implements a "people-oriented" management philosophy and is committed to building a "ever-learning enterprise" which creates a strong learning atmosphere. The overall quality of its staff service is continuously enhanced. The Group has a consistent focus on employees' personal and professional developments. Apart from expanding its business, the Group also provides training and promotion opportunities for employees who are passionate about their work. Under the "Training Management System of Qinqin", the Group has established a unique talent training system which has been implemented by the Group through coordination between various departments, leveraging external resources and internal teaching capabilities and using a variety of training methods.

The Group's trainings, including new staffs orientation trainings, trainings for management trainees, management trainings and professional skill trainings, are either conducted internally or outsourced. The Group conduct trainings both online and offline, which fully utilized the opportunities of quality management system certification and the launch of human resource management system to strengthen the training and learning in food quality and safety management and systematic concepts for employees at all levels. Through the implementation of the organization development consulting project, the Group has effectively facilitated the execution of its strategy, rebuilt the organizational capabilities, and greatly uplifted the management standard and capabilities of the middle and senior management.

The per capita training of the Group's staffs in 2021 were as follows:



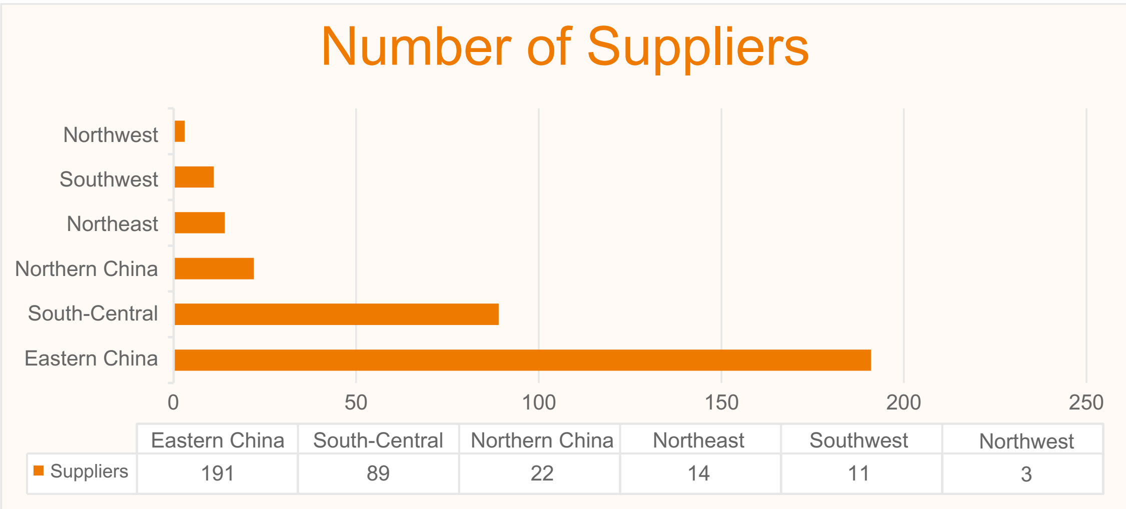
4. *Employee Guidelines*

In compliance with the requirements under the laws and regulations such as the "Labour Contract Law of the People's Republic of China", the Group prohibits child labour or forced labour. Pursuant to the "Personnel Management System of Qinqin", in the recruitment and selection of talents, those under 16 years of age must not be recruited. In addition, a restriction is set out in the human resource information system of the Group that the information on person under 16 years of age cannot be entered. As such, there has been no forced labour for the Group. The Group adheres to the equal and voluntary principle, fully understands employees' decisions and supports their development, and coordinates necessary procedures, e.g. personnel files and social security transfer for employees who voluntarily terminate their labour contracts. For employees who fail to fulfil their labour contractual obligations or fail to pass qualification assessment upon expiry of contract, the Group will terminate such labour contracts in accordance with relevant laws and regulations.

5. *Supply Chain Management*

For the production of food and snack products, the Group implements strict procedures for selecting suppliers, in order to ensure the quality of raw materials. The Group has developed the "Procurement Management System of Qinqin" and "Supplier Management and Evaluation Measures of Qinqin" to conduct assessment, selection, review and appraisal of its suppliers. Qualified suppliers, which have been confirmed by the review and appraisal results, shall have the proven ability to meet the Company's requirements for the quality of materials to be procured. In addition, management and control are conducted over the procurement process to ensure that the materials procured meet the requirements for production technologies and product quality. Apart from the financial status, the Group shall consider the suppliers' environmental, social and ethical morals while selecting suppliers or evaluating supplier relationships. Such investigations and assessments shall cover the basic situation, qualification certificate, technical competitiveness, production capacity, quality assurance system, after-sales service capacity and food safety control of the suppliers. The Group requires suppliers to possess business licenses and related food production licenses and to comply with laws and regulations.

The following is the number of suppliers of the Group divided by region:



6. *Product Responsibility*

The Group has been in strict compliance with a series of laws and regulations (including the "Food Safety Law of the People's Republic of China", the "Production Safety Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests") related to areas such as production and operation, food packaging and food safety. The Group ensures the strict compliance with the laws and regulations in sections including food production and processing, product packaging and product transportation, thereby guarantees product quality.

(1) Product Innovation

The Group is committed to providing the consumer-centred services, that it will follow closely the current tidal trend in consumption upgrade and continuously apply innovative measures to improve product contents and product portfolio. Besides, the Group will adopt an innovative approach, to provide consumers with attentive and well-thought services, along with improving the products' overall accessibility. Based on the product management center and product research and development (R&D) team, the Group has continuously invested in the research and development team and scale-up R&D efforts to research on new products, so as to meet the diverse needs of consumers. The Group actively participates in various technology sharing endeavours, that it has joined hands with the Sports Medicine Research Institute of the General Administration of Sport of China, among other research centres and professional institutes, including the Food Institute of Fujian Normal University, Fujian Agriculture and Forestry University, and Jiangnan University, among others. The Group also introduced the world-advanced level jelly production line from Japan and other global advanced production lines, so as to promote market competitiveness of new products with the application of top-notch techniques and technology. The innovative products launched by the Group covered several functional purposes including low salt, low sugar, meal replacement, high nutrition, and weight management. With such initiatives, the Group hope to promote healthy and nutritious eating habits.

(2) Quality Control

The Group's quality management department is responsible for the development, management and supervision of the quality monitoring system and food safety management policy of the Group. The quality control teams continuously monitor the raw materials, ensuring that the quality and safety meet the specifications and quality requirements of the Group. The Group also adopts strict quality control measures for the production process to ensure consistent product quality and carries out inspection and tests in the whole production process. All products must be inspected at all stages of the production process, including later production inspection and final quality control before it is delivered for sale. The Group also works with certified third-party inspection companies to carry out product quality and food safety testing for the products of the Group. Furthermore, the Group continues to improve its internal management procedures by abiding to the latest developments in the relevant food safety laws and regulations.

The Group has been in strict compliance with the requirements of relevant laws and regulations, including the "Food Safety Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests". The Group implements national food safety principles, as well as carries out quality control in several areas, such as the creation of an outstanding quality control team, establishment of a professional quality control system, improvement of the Group's standard quality control system and the promotion of building of safety culture.

All of the Group's production facilities and production lines are designed in compliance with the PRC's national quality standards. International Organisation for Standardization (ISO9001, ISO14001 and ISO22000), HALAL, SC and HACCP certification and FSSC22000 Food Safety System Certification have also been obtained for certain production facilities.

Dining counts most for people, of which food safety comes first. Therefore, food safety is of the utmost importance and the foundation of the development of Qinqin. The management of the Group plays a leading and influential role with the signing of the Food Safety Responsibility Commitment Letter annually, and actively carries out a number of food safety activities such as Quality and Safety Month, food-safety-themed activities, product quality evaluation and rating, and study sessions to strengthen food safety awareness among its overall staff members and further promote the food safety culture, thereby spreading the message of food safety to the rest of the community.

(3) Product Information

The Group has formulated the "Management Procedures for Design and Modification of Packaging and Samples Printing and the Label Review Management Rules" for standardising the product label review, which strengthens the label management and enhances the label compliance. The Group has established a cross-department label checking team, with members from the product management department, risk management department and quality management department, to review contents of labels, including product brand, advertising slogan, trademark, product ingredients and related food safety information, in accordance with the "Advertising Law of the People's Republic of China", the "Food Safety Law of the People's Republic of China", the "National Standard for Food Safety — General Code for Pre-packaged Food Labelling", the "National Standard for Food Safety — General Principles for Nutrition Labelling of Pre-packaged Food", as well as the relevant laws and regulations and food safety standards. The commencement of any packaging materials printing process is subject to the duly pass of the review assessment on label contents (or subsequent to the due rectification of any label error and re-assessment approval), to ensure product label compliance. The Group's product packaging, promotion materials, website, advertising video, among others, can only be launched into or released into the markets after the relevant approval from the group's legal department on intellectual property rights is obtained to ensure the legal compliance of the Group's products and marketing practices.

In 2021, the Group did not encounter any product recalls incident due to safety and health issues. The Group has set up a product tracking management system and manages information of all the process online through SAP system. It generates tracking management information from all aspects such as raw material arrival, production process and sales of products, to realize the directional tracking of products.

(4) Customer Complaints

The Group values every customer's complaint. The Group adopts an internal policy which promotes real-time response to product complaints. The Group has a dedicated customer service team and a customer service hotline to ensure prompt response to customers and consumers. The Group received a total of 114 complaints in 2021, with a resolution rate of 100%. Customer complaints are handled by the customer service staff of the sales management team, and the relevant departments in the Group's headquarter will be notified of in real-time to take remedial measures and to adopt appropriate preventive measure so as to avoid recurrence in the future.

The Group has product quality guidelines and policies to clarifies quality objectives. Each department will plan a specific path towards the quality objectives, and then the quality management department will supervise the progress of achieving the objectives, analyzes, summarizes and immediately handles the situation of quality defects, as well as tracking the quality improvement verification. The Group has implemented the management measures such as "Administrative Measures for Food Recalls". It has established product recall procedures and set up a product recall team, in order to investigate and perform quality and safety checks for potential recall products. Once the Group confirms any recalled product, the Group shall immediately establish a recall-product committee, aiming to identify the batches of products to be recalled and promptly notify the relevant parties.

(5) Intellectual Property Protection

The Group greatly concerns with the protection and management of intellectual property rights, and strictly abides by laws and regulations, including the "Trademark Law of the People's Republic of China", the "Copyright Law of the People's Republic of China", and the "Patent Law of the People's Republic of China", among other laws and regulations.

As of 31 December 2021, the Group has secured 1019 trademarks, 255 patent rights, and 381 copyright registrations in mainland China. The Group's legal department is responsible for coordinating the daily intellectual property management within the Group. As such, the department carefully monitors the trademarks that are going through the preliminary examination in the Trademark Office, screens and follows up on the expiry of right of use of trademarks, performs checks for patents due for annual fee payments, and arranges for timely renewal and payment, so as to ensure continuous validity and functionality of the intellectual property rights applied by the Group. The Group engages professional lawyers to train and educate relevant internal staff on basic legal knowledge that includes intellectual property rights, product labelling, promotional advertising, among others, to increase their awareness to respect intellectual property rights, and to enhance the Group's overall compliance with intellectual property rights.

(6) Privacy protection

The Group attaches great importance to consumer information and privacy and strictly complies with the requirements of relevant laws and regulations including the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests". The Group properly handles and keeps strict confidentiality of consumers' personal information collected through sales channels. The "Personnel Management System of Qinqin" specifies that no employee shall disclose business information, production formula, technical data, documents and other trade secrets of the Company. For any employees whose deliberate disclosure of technical and business secrets of the Group which caused significant economic losses to the Group, their labour contracts with the Group will be terminated.

7. *Business Integrity*

The Group strictly complies with the requirements of relevant laws and regulations such as the "Interim Provisions on Banning Commercial Bribery" and "Anti-Unfair Competition Law of the People's Republic of China". In accordance with relevant laws and regulations and actual situations of the Company, the Group set up the "Whistleblowing System of Qinqin" and the "Management Measures for Litigation Cases of Qinqin". The Group prohibits any corruption and bribery. Directors and employees must comply with corporate policies regarding the acceptance of benefits, and shall not seek personal gain in insider information in any circumstance. All persons involved in the selection of suppliers and contractors and procurement matters must avoid abuse of power or avoid any circumstances that prevent them from making independent decisions when purchasing goods and services. The Group has committed to the establishment of an anti-corruption and fraudulence mechanism, has "zero tolerance" on any violations of professional integrity and business ethics, and it has conducted special audits on areas where high risks of corruption and fraudulence exist.

The Group has established a whistleblowing system, internal audit department and market surveillance team, set up whistleblowing hotlines and CEO mailbox and promoting them to employees and business partners such as customers and suppliers/contractors, encourage employees, customers, suppliers etc. to report any corruption and fraudulent behaviors. The Group has established an internal audit department and market surveillance team, which enables independent investigations of reported matters. Such assisted the Group in identifying financial management loopholes, strengthening the financial management system, enhancing the financial management quality, enhancing self-discipline, self-improvement and disciplinary concepts of the leaders and promote honesty and integrity. The Group has also adopted necessary protective measures to avoid any relevant persons from being exposed to any form of harassment after reporting or cooperating in an investigation. Penalties will be imposed according to the severity of the verified violations of relevant regulations, until given relevant legal responsibilities.

8. *Care for Society*

The Group bears in mind its corporate social responsibility and mission. By proactively participating in social welfare undertakings and positively serving the community, the Group keeps paying back to society. While pursuing corporate growth, the Group also promotes social development and progress and fulfils its social responsibility as a corporate citizen through charitable donations, support for cultural undertakings, volunteer activities, and care for the elderly and children.

The Group has established more than 20 production companies and trading branches across Mainland China, solving the local unemployment problem. The Group also actively participates in public welfare and charity cause. Some of the events organized or participated in by the Group during the year are as follows:

(1) In April 2021, Qinqin Group provided in-kind sponsorship for the 2021 C&D Xiamen Marathon, calling on all Qinqin employees to carry forward its spirited corporate values and express the corporate philosophy of "Better Food, Better Life" through the marathon.

(2) In May 2021 before the upcoming Children's Day, Qinqin Group delivered delicious snacks to the children at Jinjiang Gelin Primary School (晉江格林小學), Jinjiang No.8 Experimental Primary School (晉江市第八實驗小學) and Jinjiang Hualin Primary School (晉江華林小學), and wished them a happy holiday and heathy growth.

(3) In July 2021, Qinqin Group fulfilled its corporate social responsibility by donating relief materials such as jelly, crackers and chips and rice wine valued at RMB1 million to go through the hard times hand in hand with disaster victims from heavy rain hits in Zhengzhou and Haikou, Henan.

(4) In September 2021, Qinqin Group donated bread, mineral water and other materials to Jinjiang Hospital (晉江市醫院), a designated medical treatment hospital, to fight against the pandemic with full support, showing respect to frontline medical staff for fighting against the pandemic.

(5) In October 2021, in order to inherit the traditional virtues of respecting, loving and helping the elderly, Qinqin Group provided materials for the elderly in the Lingshui Community Service Center (靈水社區黨群服務中心) at the Double Ninth Festival.

The directors (the "**Director(s)**") of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") herein present their report together with the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The principal activities of the Company's subsidiaries are set out in note 35 to the consolidated financial statements in the annual report.

Further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on page 7 and 15 of this annual report. An analysis using financial key performance indicators can be found in "Financial Highlights" on page 3 of this annual report. This above discussion and highlight form part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement on page 75 of this annual report.

The Board did not recommend the payment of final dividend for the year ended 31 December 2021.

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 forthcoming annual general meeting of the Company to be held on Wednesday, 18 May 2022 (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.

RESERVES

Details of the movement in reserves of the Company and of the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company's net reserves available for distribution, calculated in accordance with the Companies Act of the Cayman Islands, as consolidated and revised from time to time, as at 31 December 2021 amounted to RMB574,033,000 (2020: RMB600,786,000), which represented the retained earnings/accumulated losses and share premium.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 to the consolidated financial statements in the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 144.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Hui Ching Lau *(Chairman)*
Mr. Wong Wai Leung *(Chief Financial Officer)*
Mr. Wu Wenxu (appointed as Chief Executive Officer with effect from 6 May 2021)

Non-Executive Directors

Mr. Hui Lin Chit
Mr. Sze Man Bok
Mr. Wu Huolu
Mr. Wu Sichuan
Mr. Wu Yinhang

Independent Non-Executive Directors

Mr. Cai Meng
Mr. Chan Yiu Fai Youdey
Mr. Ng Swee Leng
Mr. Paul Marin Theil

Pursuant to the articles of association of the Company, all Directors appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. In addition, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Hui Ching Lau, Mr. Wong Wai Leung, Mr. Wu Huolu and Mr. Wu Yinhang shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE AGREEMENT

Each of the executive Directors and non-executive Directors has respectively entered into a service contract with the Company for a term expiring on 7 July 2022, except that Mr. Wu Wenxu's service contract term shall expire on 7 December 2023. The service contract may be terminated in accordance with the respective terms of the service contract.

Independent non-executive Directors were appointed pursuant to the respective letters of appointment for a term of three years expiring on 7 July 2022.

None of the Directors of the Company has entered or has proposed to enter into any service contract with the Company or any member of the Group other than contracts expiring or terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors are set out in note 37 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2021, the Group had approximately 2,700 (2020: 2,600) employees. 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.

Remuneration of Directors and senior management of the Group is reviewed by the Company's remuneration committee against the Company's goals and objectives.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out on page 16 to 21.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 34 to the consolidated financial statements and under the Continuing Connected Transactions below, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year.

COMPETING BUSINESSES

As at 31 December 2021, none of the Directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

CONTINUING CONNECTED TRANSACTIONS

The following transactions are regarded as continuing connected transactions under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**"), and are disclosed in accordance with Chapter 14A of the Listing Rules.

	2021 **MB'000**	2020 RMB'000
Purchases of flour from Fujian Shuncheng Flour Industry Development Co., Ltd ("**Shuncheng Flour**")	**229**	1,794

Shuncheng Flour is a company owned as to over 50% by Mr. Wu Huolu and Mr. Wu Yinhang, each of whom is a Director of the Company, and their family members. Shuncheng Flour has been supplying flour to the Group in the ordinary course of our business during the year ended 31 December 2021.

The supply of flour from Shuncheng Flour to the Group during the year ended 31 December 2021 has been governed by a framework agreement entered into between a wholly owned subsidiary of the Company and Shuncheng Flour on 12 December 2018, which set out the principle terms governing the supply of flour to members of the Group for a term of three years commencing from 1 January 2019 and expiring on 31 December 2021 (both days inclusive).

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transaction were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 34 to the consolidated financial statements. None of them constitutes a disclosable transaction as defined under the Listing Rules.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2021, the interest and short positions of the Directors in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which the Directors have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were set out below:

Long positions in the shares of the Company (the "Shares")

Name of Director	Note	Capacity/Nature of interest	Number of Shares interested	Number of underlying Shares interested (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Hui Ching Lau	3	Interest of controlled corporation/corporate interest	378,045,219	—	50.07%
Mr. Sze Man Bok	4	Beneficial owner and founder of discretionary trust/personal and other interests	45,760,919	—	6.06%
Mr. Wu Huolu	5	Beneficial owner and interest of controlled corporation/personal and corporate interests	35,842,895	—	4.75%
Mr. Wu Wenxu		Beneficial owner/personal interest	—	520,000	0.07%
Mr. Wong Wai Leung		Beneficial owner/personal interest	—	360,000	0.05%

Notes:

1. Underlying Shares represent share options granted to the directors pursuant to share option scheme of the Company and details of which are set out on pages 60.

2. The percentages expressed are based on the total number of issued Shares of 755,096,557 as at 31 December 2021.

3. These 378,045,219 Shares are held and owned by Sure Wonder Limited, which is wholly owned by Mr. Hui Ching Lau and accordingly, Mr. Hui Ching Lau is deemed to be interested in the said 378,045,219 Shares.

4. These 45,760,919 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited ("**Tin Lee**") and 115,120 Shares held and owned by Mr. Sze Man Bok. Tin Lee is a wholly owned subsidiary of Tin Wing Holdings Limited, which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze's Family Trust and accordingly, is deemed to be interested in the said 45,645,799 Shares.

5. These 35,842,895 Shares comprise (i) 35,214,895 Shares held and owned by Easy Success International Investment Limited ("**Easy Success**"), which is wholly owned by Mr. Wu Huolu; and (ii) 628,000 Shares held and owned by Mr. Wu Huolu. Mr. Wu Huolu is deemed to be interested in the said 35,214,895 Shares held by Easy Success accordingly.

Save as disclosed above, none of the Directors or chief executive had, as at 31 December 2021, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2021, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the Shares and the underlying Shares, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or to be notified to the Company, were as follows:

Long Positions in the Shares of the Company

Name of Substantial Shareholder	Note	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the Company (Note 1)
Sure Wonder Limited	2	Beneficial owner/ beneficial interest	378,045,219	50.07%
Tin Lee Investments Limited	3	Beneficial owner/ beneficial interest	45,645,799	6.05%
Tin Wing Holdings Limited	3	Interests of controlled corporation/ corporate interest	45,645,799	6.05%
Serangoon Limited	3,4	Nominee for another person/other interest	53,834,099	7.13%
Seletar Limited	3,4	Nominee for another person/other interest	53,834,099	7.13%
Credit Suisse Trust Limited	3,4	Trustee/other interest	53,834,099	7.13%

Notes:

1. The percentages expressed are based on the total number of issued Shares of 755,096,557 as at 31 December 2021.

2. Mr. Hui Ching Lau, the Chairman and executive Director of the Company, is the sole director and sole shareholder of Sure Wonder Limited. His interest in Shares is disclosed in the "Directors' Interests in Securities" above.

3. Tin Lee Investments Limited is a wholly owned subsidiary of Tin Wing Holdings Limited which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Each of Tin Wing Holdings Limited, Seletar Limited, Serangoon Limited and Credit Suisse Trust Limited, and Mr. Sze Man Bok are deemed to be interested in 45,645,799 Shares held and owned by Tin Lee Investments Limited under the SFO. Mr. Sze's interest in Shares is disclosed in the "Directors' Interests in Securities" above.

4. These 53,834,099 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited (under the Sze's Family Trust) and 8,188,300 held by other trusts. As stated in note 3 above, Seletar Limited and Serangoon Limited have deemed interests in these Shares on trust for Credit Suisse Trust Limited, being trustee of the said trusts, and accordingly, each of them are deemed to be interested in these Shares under the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Scheme**") on 16 May 2017 which is valid and effective for a period of 10 years commencing on the date of adoption of the Scheme. Further details of the Scheme are disclosed in note 26 to the consolidated financial statements.

(1) The terms of the Scheme are summarised as follows:

(i) Purpose of the Scheme
The purpose of the Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company, to encourage participants to work towards achieving performance targets in order to enhance the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole and at the same time allow participants to enjoy the results of the Company attained through their efforts and contribution, to retain participants who achieve such performance targets and attract human resources that are valuable to the Group. The Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

(ii) Eligible Persons
Participants of the Scheme comprise of directors (including executive Director(s), non-executive Directors and independent non-executive Directors), officers and employees of any member of the Group as determined by the Board from time to time. The Directors may, at their discretion, invite participants to participate in the Scheme. In determining the basis of eligibility of each participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(iii) Maximum Number of Shares Available for Issue
The maximum number of shares available for issue after considering the options already granted under the Scheme as at the date of the annual report are 25,779,655, representing 3.4% of total issued shares of the Company as at the date of this annual report, which are not more than 10% of the issued share capital of the Company (i.e. 47,569,655 shares) as at the date of the approval of the Scheme.

(iv) Maximum Entitlement of Each Participant
Unless approved by Shareholders in the manner set out in this paragraph below, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding Options, if any) in any 12-month period shall not exceed 1% of the Shares in issue. Any further grant of options to a participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding Options, if any) in the 12-month period up to and including the date of such further grant exceeding the said 1% limit shall be subject to Shareholders' approval in advance with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. A circular containing the information required under the Listing Rules must be sent to the Shareholders disclosing the identity of such participant and the number and terms of the options granted and to be granted.

Where any grant of Options to a substantial Shareholder or an independent non-Executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding, if any) to such person in the 12 month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the shares then in issue; and

(b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of such grant, in excess of HK$5 million (or such other amount as may from time to time be specified by the Stock Exchange),

such further grant of options shall be subject to prior approval by the Shareholders. The proposed grantee, his associates and all core connected persons (as such terms are defined in the Listing Rules) of the Company shall abstain from voting at such general meeting, except that such grantee, his associates or all core connected persons may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(v) Time on Exercise of Options
An option may be exercised in accordance with the terms of the Scheme and the offer of the grant of an option at any time commencing on the date of grant and expiring on such date as determined by the Board provided that the option may not be exercised after the expiration of 10 years from the date of grant.

(vi) Acceptance of Offer
An offer for the grant of options must be accepted for a period of 10 business days from the offer date and must be accompanied by payment of HK$1.00.

(vii) Subscription Prices
The subscription price for the shares shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer of option and shall be no less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share on the date of grant.

(viii) Remaining Life of the Scheme
The Scheme will remain in force before 16 May 2027.

(2) The table below sets out movements in the share options granted under the Scheme during the year ended 31 December 2021:

Eligible person	Number of share options: Balance as at 1/1/2021	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Balance as at 31/12/2021	Exercise price per share HK$	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)
Directors								
Mr. Wong Wai Leung	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2019–06/06/2022
	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2020–06/06/2022
	60,000	—	—	—	60,000	2.31	16/08/2018	17/08/2020–16/08/2023
	60,000	—	—	—	60,000	2.31	16/08/2018	17/08/2021–16/08/2023
	—	36,000	—	—	36,000	2.19	23/08/2021	24/08/2022–23/08/2023
	—	36,000	—	—	36,000	2.19	23/08/2021	24/08/2023–23/08/2024
	—	48,000	—	—	48,000	2.19	23/08/2021	24/08/2024–23/08/2025
Mr. Wu Wenxu	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2019–06/06/2022
	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2020–06/06/2022
	50,000	—	—	—	50,000	2.31	16/08/2018	17/08/2020–16/08/2023
	50,000	—	—	—	50,000	2.31	16/08/2018	17/08/2021–16/08/2023
	—	90,000	—	—	90,000	2.19	23/08/2021	24/08/2022–23/08/2023
	—	90,000	—	—	90,000	2.19	23/08/2021	24/08/2023–23/08/2024
	—	120,000	—	—	120,000	2.19	23/08/2021	24/08/2024–23/08/2025

Eligible person	Number of share options Balance as at 1/1/2021	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Balance as at 31/12/2021	Exercise price per share HK$	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)
Other employees	2,330,000	—	—	(345,000)	1,985,000	2.56	06/06/2017	07/06/2019–06/06/2022
	2,330,000	—	—	(345,000)	1,985,000	2.56	06/06/2017	07/06/2020–06/06/2022
	3,270,000	—	—	(510,000)	2,760,000	2.31	16/08/2018	17/08/2020–16/08/2023
	3,270,000	—	—	(510,000)	2,760,000	2.31	16/08/2018	17/08/2021–16/08/2023
	—	3,759,000	—	(240,000)	3,519,000	2.19	23/08/2021	24/08/2022–23/08/2023
	—	3,759,000	—	(240,000)	3,519,000	2.19	23/08/2021	24/08/2023–23/08/2024
	—	5,012,000	—	(320,000)	4,692,000	2.19	23/08/2021	24/08/2024–23/08/2025
	11,660,000	12,950,000	—	(2,510,000)	22,100,000			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of exercise period.

2. The closing price of the Shares immediately before the date on which the share options being granted on 6 June 2017, 16 August 2018 and 23 August 2021 was HK$2.56, HK$2.29 and HK$2.19 respectively.

The Company used the Binomial Model for assessing the fair value of the share option granted. The following assumptions were used to calculate the fair values of the share options:

	Date of Grant				
	6 June 2017	**16 August 2018**	**23 August 2021**		
Grant date share price	HK$2.56	HK$2.29		HK$2.19	
Exercise price	HK$2.56	HK$2.31		HK$2.19	
Expected life	5 years	5 years	2 years	3 years	4 years
Expected volatility (note a)	33%	34%	41%	39%	37%
Risk-free rate (note b)	0.94%	2.06%	0.18%	0.29%	0.45%
Dividend yield (note c)	1.49%	1.91%	0%	0%	0%

Notes:

(a) Expected volatility is estimated with reference to the historical share price of the Company and a set of comparable companies.

(b) Risk-free rate is determined with reference to the yield of Hong Kong Exchange Fund Notes.

(c) Dividend yield is estimated by reference to the historical share price and dividend paid of the Company and a set of comparable companies.

According to the Binomial Model, the fair value of the option granted, which had been charged to the consolidated income statement for the year ended 31 December 2021, amounted to approximately RMB1,107,000 (including RMB936,000 for the options granted during the year) and the remaining unamortised fair value of approximately RMB3,817,000 will be charged to the consolidated income statement in future.

It should be noted that the value of an option varies with different variables of certain subjective assumptions, any change in variables so adopted may materially affect the fair value estimate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Having made specific enquiries with all the Directors, they have confirmed compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the Independent Non-executive Directors and is satisfied of their independence.

AUDIT COMMITTEE

The audit committee, which comprises 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 and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers primarily comprise of distributors, direct key accounts and other retailers and the Group mainly sell its products to a broad network of distributors. The Group has maintained well-established relationships with its distributors and leverages the strength of their distribution channels to efficiently distribute products and reach consumers in different regions of China.

The Group selects its suppliers based on price, product quality, safety and market reputation and typically collaborate with reliable and reputable suppliers of raw materials. The Group has had stable relationships with many of its suppliers of raw materials, and the Group generally has various sources of supply for each type of raw material to reduce the reliance on a single supplier and to make reference to prevailing market prices for the same raw material.

The percentages of purchases and sales for the year ended 31 December 2021 contributed by the Group's major suppliers and customers are as follows:

Purchases		
—	the largest supplier	4.2%
—	five largest suppliers combined	12.9%
Sales		
—	the largest customer	2.9%
—	five largest customers combined	6.4%

None of Directors, their close associates or substantial shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest customers or suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float during the year ended 31 December 2021 under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

According to the articles of association of the Company, every director of the Company shall be entitled to be indemnified out of assets of the Company against all losses or liabilities incurred or sustained by him as a director in defending and proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

Save as disclosed herein, at no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

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** *(Approximate) (RMB in million)*	**Amount of proceeds unutilised as at 1 January 2021** *(Approximate) (RMB in million)*	**Amount of proceeds utilised during the year ended 31 December 2021** *(Approximate) (RMB in million)*	**Amount of proceeds unutilised as at 31 December 2021** *(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 report, 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** *(Approximate) (RMB in million)*	**Amount of proceeds unutilised as at 1 January 2021** *(Approximate) (RMB in million)*	**Amount of proceeds utilised during the year ended 31 December 2021** *(Approximate) (RMB in million)*	**Amount of proceeds unutilised as at 31 December 2021** *(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 report, 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 report.

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.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

There was no significant event of the Group occurred after the reporting period.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Details of the Company's environmental, social and governance practices are set out in the Environmental, Social and Governance Report of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board
Qinqin Foodstuffs Group (Cayman) Company Limited

Hui Ching Lau
Chairman

Hong Kong, 18 March 2022

To the Shareholders of Qinqin Foodstuffs Group (Cayman) Company Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Qinqin Foodstuffs Group (Cayman) Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 75 to 143, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition — sales of goods
- Recognition of deferred income tax assets

Key Audit Matters	How our audit addressed the Key Audit Matters
1. Revenue recognition — sales of goods	
Refer to Note 2(22) (Summary of significant accounting policies) and Note 5 (Revenue and segment information) of the consolidated financial statements. During the year ended 31 December 2021, the Group recognised revenue from sales of goods amounted to RMB860.3 million. Revenue is recognised when the Group satisfies a performance obligation by transferring the control of promised good or service to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that good or service. We focused on this area due to the large volume of revenue transactions generated from sales of numerous kinds of products to a large number of customers, including direct customers and distributors in many different locations.	We understood, evaluated and validated management's controls in connection with the Group's sales transactions. In addition, we tested the general control environment of the Group's information technology systems and the automated controls that were related to revenue recording. We conducted testing of revenue transactions on a sample basis by examining the relevant supporting documents including customer contracts and orders, sales invoices, goods delivery notes and goods receipt records. In addition, we circularised confirmations on a sample basis on trade receivables balances as at the balance sheet date. Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date, by reconciling recognised revenue with the goods delivery notes and goods receipt records, to assess whether revenue was recognised in the correct reporting periods. Based on the work performed, we found the Group's revenue from sales of goods being tested were supported by the evidences that we obtained.

Key Audit Matters	How our audit addressed the Key Audit Matters
2. Recognition of deferred income tax assets	
Refer to Note 2(19) (Summary of significant accounting policies), Note 4 (Critical accounting estimates and judgements) and Note 30 (Deferred income tax) of the consolidated financial statements. As at 31 December 2021, deferred income tax assets of approximately RMB7.2 million were recognised for tax losses that can be carried forward in respect of certain subsidiaries in Mainland China, to the extent that realisation of the related tax benefits through the availability of future taxable profits is probable. Significant judgements and estimation are involved in determining the recognition of deferred income tax assets and considering whether future taxable profit will be available against which the unutilised tax losses can be utilised. Management prepared a 5-year profit forecast to assess the probability of generating sufficient taxable profits in the foreseeable future involving significant assumptions, such as revenue growth rates and gross margins. We focused on this area due to the high degree of estimation uncertainty about the future taxable profit to be available against which the unutilised tax losses can be utilised and the inherent complexity and judgements involved in recognition of deferred income tax assets.	We obtained an understanding of management's controls and assessment process in respect of recognition of deferred income tax assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as management's estimation about the future taxable profit to be available against which the unutilised tax losses can be utilised, including but not limited to the appropriateness of the significant assumptions of revenue growth rates and gross margins. We compared the current year's actual results with prior year's forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias. We checked the mathematical accuracy of the forecast model, and evaluated and challenged management's profit forecasts for the next five years of the individual subsidiaries that have unutilised tax losses. Our assessment focused on the key assumptions, such as revenue growth rates and gross margins, by comparing them to these subsidiaries' historical operating results and future operating plans, together with external economic and industry forecasts, where appropriate. We also performed a sensitivity analysis over the key assumptions used in the profit forecast such as the revenue growth rates and gross margins to assess the potential impact of a range of possible outcomes.

Key Audit Matters	How our audit addressed the Key Audit Matters
2. Recognition of deferred income tax assets (continued)	
	We verified the existence and amounts of unutilised tax losses, together with their expiry dates, and the income tax rates applicable to the subsidiaries by examining the tax returns submitted by the relevant entities and reviewing the correspondences with the tax authorities. We assessed the adequacy of the disclosures related to recognition of deferred income tax assets in the context of HKFRSs. Based on our work performed, we found that management's judgement and estimation for the recognition of deferred income tax assets were supported by the evidences that we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2022

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**860,254**	792,829
Cost of goods sold	6	**(645,911)**	(541,707)
Gross profit		**214,343**	251,122
Distribution cost and selling expenses	6	**(138,146)**	(145,182)
Administrative expenses	6	**(135,665)**	(101,008)
Net impairment (losses)/reversal on financial assets	3(1)(ii)	**1,186**	(1,453)
Other income and other gains — net	8	**3,291**	20,973
Operating (loss)/profit		**(54,991)**	24,452
Finance income	9	**12,911**	17,163
Finance costs	9	**(5,818)**	(13,020)
Finance income — net		**7,093**	4,143
Share of net losses of investments accounted for using the equity method	18	**(756)**	(2,871)
(Loss)/profit before income tax		**(48,654)**	25,724
Income tax expense	10	**(32,243)**	(8,064)
(Loss)/profit for the year		**(80,897)**	17,660
(Loss)/profit is 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			
— Basic (loss)/earnings per share	11	**RMB (0.107)**	RMB 0.026
— Diluted (loss)/earnings per share	11	**RMB (0.107)**	RMB 0.026

The notes on pages 81 to 143 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	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 is attributable to:		
Equity shareholders of the Company	**(70,102)**	39,391
Non-controlling interests	**(56)**	—
	(70,158)	39,391

The notes on pages 81 to 143 are an integral part of the consolidated financial statements.

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	 2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**709,859**	402,413
Construction-in-progress	14	**230,530**	231,452
Right-of-use assets	15	**82,067**	85,938
Intangible assets	16	**2,610**	2,502
Prepayments for non-current assets	17	**30,018**	24,773
Deferred income tax assets	30	**13,401**	51,106
Investments accounted for using the equity method	18	**37,032**	2,539
Financial assets at fair value through other comprehensive income	19	**93,899**	61,610
		1,199,416	862,333
Current assets			
Inventories	21	**157,695**	150,556
Trade receivables	22	**5,153**	11,040
Other receivables, prepayments and deposits	22	**62,973**	51,039
Financial assets at fair value through profit or loss	23	**51,820**	56,942
Cash and bank balances	24	**439,671**	711,018
		717,312	980,595
Total assets		**1,916,728**	1,842,928

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Equity			
Equity attributable to shareholders of the Company			
Share capital	25	**6,433**	6,433
Other reserves	27	**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	15	**6,473**	6,654
Deferred income tax liabilities	30	**16,705**	12,298
		23,178	18,952
Current liabilities			
Trade payables	28	**100,321**	86,347
Other payables and accrued charges	28	**293,218**	229,375
Contract liabilities	5(3)	**133,646**	78,751
Current income tax liabilities		**1,094**	22,238
Borrowings	29	**97,364**	70,199
Lease liabilities	15	**—**	1,108
		625,643	488,018
Total liabilities		**648,821**	506,970
Total equity and liabilities		**1,916,728**	1,842,928

The notes on pages 81 to 143 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 75 to 143 were approved by the Board of Directors on 18 March 2022 and were signed on its behalf.

Hui Ching Lau
Director

Wong Wai Leung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Equity attributable to shareholders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		5,758	553,231	587,771	1,146,760	—	1,146,760
Comprehensive income							
Profit for the year		—	—	17,660	17,660	—	17,660
Other comprehensive income							
Fair value gains on financial asset at fair value through other comprehensive income		—	21,731	—	21,731	—	21,731
Total comprehensive income for the year		—	21,731	17,660	39,391	—	39,391
Transactions with equity holders							
Issue of ordinary shares	25	675	147,741	—	148,416	—	148,416
Equity-settled share option arrangement	26	—	1,391	—	1,391	—	1,391
Appropriation to statutory reserves	27	—	12,707	(12,707)	—	—	—
Total transactions with equity holders		675	161,839	(12,707)	149,807	—	149,807
Balance at 31 December 2020		6,433	736,801	592,724	1,335,958	—	1,335,958
Balance at 1 January 2021		6,433	736,801	592,724	1,335,958	—	1,335,958
Comprehensive loss							
Loss for the year		—	—	(80,841)	(80,841)	(56)	(80,897)
Other comprehensive income							
Fair value gains on financial assets at fair value through other comprehensive income		—	11,000	—	11,000	—	11,000
Exchange difference		—	(261)	—	(261)	—	(261)
Total comprehensive (loss)/income for the year		—	10,739	(80,841)	(70,102)	(56)	(70,158)
Transactions with equity holders							
Capital contribution from non-controlling interests		—	—	—	—	1,000	1,000
Equity-settled share option arrangement	26	—	1,107	—	1,107	—	1,107
Appropriation to statutory reserves	27	—	6,172	(6,172)	—	—	—
Total transactions with equity holders		—	7,279	(6,172)	1,107	1,000	2,107
Balance at 31 December 2021		6,433	754,819	505,711	1,266,963	944	1,267,907

The notes on pages 81 to 143 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

		Year ended 31 December	
	Note	**2021 RMB'000**	2020 RMB'000
Cash flows generated from operating activities			
Cash generated from operations	31(a)	**47,680**	41,339
Income tax paid		**(15,076)**	(18,670)
Interest paid		**(2,648)**	(140)
Net cash generated from operating activities		**29,956**	22,529
Cash flows used in investing activities			
Cash received from deposits with original maturity over 3 months		**670,921**	—
Proceeds from compensation for property, plant and equipment		**24,690**	—
Interest received		**12,911**	17,163
Proceeds from disposal of investments accounted for using the equity method		**3,651**	—
Proceeds from disposal of property, plant and equipment	31(b)	**1,212**	2,552
Increase in bank deposits with original maturity over 3 months		**(599,453)**	(163,777)
Purchase of property, plant and equipment, including additions of construction-in-progress		**(305,688)**	(204,159)
Purchase of land use rights		**—**	(12,331)
Payments for investments accounted for using the equity method	18	**(35,520)**	(2,301)
Payments for financial assets at fair value through other comprehensive income	19	**(17,696)**	(9,800)
Payments for financial assets at fair value through profit or loss	23	**(10,000)**	(56,197)
Purchase of intangible assets	16	**(546)**	(740)
Proceeds from compensation for land use rights		**—**	17,514
Net cash used in investing activities		**(255,518)**	(412,076)
Cash flows generated from financing activities			
Proceeds from borrowings		**110,486**	126,929
Pledged bank deposits		**43,828**	—
Absorb investment from non-controlling shareholders		**1,000**	—
Repayment of borrowings		**(83,321)**	(56,730)
Proceeds from issues of shares	25	**—**	148,416
Repayment of lease liabilities		**—**	(1,636)
Net cash generated from financing activities		**71,993**	216,979
Net decrease in cash and cash equivalents		**(153,569)**	(172,568)
Cash and cash equivalents at beginning of the year		**547,241**	732,033
Effect of foreign exchange rate changes in cash and cash equivalents		**(2,482)**	(12,224)
Cash and cash equivalents at end of the year		**391,190**	547,241

The notes on pages 81 to 143 are an integral part of the consolidated financial statements.

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.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of preparation

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.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(i) 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.

(ii) 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Subsidiaries *(Continued)*

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(3) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2(10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(4) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company who makes strategic decisions.

(5) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's and its subsidiaries' functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income" and "finance costs", where applicable. All other foreign exchange gains and losses are presented in the consolidated income statement within "other income and other gains — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(6) Property, plant and equipment

Buildings comprise mainly factories, warehouses and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction-in-progress represents buildings, plant and equipment under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery	10-20 years
Office equipment, furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(10)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other income and other gains — net" in the consolidated income statement.

(7) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any (Note 2(10)). Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods of the lease. Amortisation of land use rights is calculated on a straight-line basis over the period of the leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(8) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(8) Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(9) Intangible assets — Computer softwares

Computer softwares represent purchased softwares and are amortised over their estimated useful lives (10 years).

(10) Impairment of investments in subsidiaries and non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of an impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Financial assets *(Continued)*

(iii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3(1)(ii)(b) for further details.

(12) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(14) Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 22 for further information about the Group's accounting for trade receivables and Note 3(1)(ii)(b) for a description of the Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(15) Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(16) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(17) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(18) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(18) Borrowings *(Continued)*

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(19) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

(a) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(19) Current and deferred income tax *(Continued)*

(ii) Deferred income tax (Continued)

(b) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(20) Employee benefits

(i) Pension obligations

The employees of the Group in Mainland China are covered by the government-sponsored defined contribution pension plan under which the retired employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to the pension plan. Under the pension plan, the Group has no obligation for post-retirement benefits beyond the contributions made. The contributions are recognised as employee benefit expense when they are due.

(ii) Housing funds, medical insurances and other social insurances

The employees of the Group in Mainland China are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(20) Employee benefits *(Continued)*

(iii) Share-based compensation

The Group operates an equity-settled share-based payment plan (Note 26). The fair value of the employee services received in exchange for the grant of the options to purchase shares of the Company is recognised as an expenses. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (eg profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium account.

(21) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(22) Revenue recognition

(i) Sale of goods

The Group manufactures, distributes and sells food and snack products. Sales are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products. Customers have full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's products are often sold with retrospective volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in other payables and accrued charges) is recognised for expected volume discounts payable to customers in relation to sales made.

Most of the sales were made with advance payment, and no element of financing is deemed present as the remaining sales are made with credit terms of 30 to 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered and the customers has inspected and accepted the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(iii) Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(23) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(24) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are presented in the consolidated balance sheet by deducting the grant in arriving at the carring amount of the asset and are recognised in the consolidated income statement on a straight-line basis over the life of a depreciable asset as a reduced depreciation expense.

(25) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(a) Foreign exchange risk

The Group operates primarily in Mainland China and the functional currency of majority of the companies in the Group 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 equivalents, term deposits, restricted bank deposits, trade and other receivables and payables, and bank borrowings of the Group, which are denominated in Hong Kong Dollar ("HKD"), United States Dollar ("USD") and other currencies that are not the functional currency of the relevant companies in the Group.

As at 31 December 2021, if RMB had strengthened/weakened by 5% against the foreign currencies with all other variables unchanged, the Group's profit for the year before income tax would have been RMB236,000 (2020: RMB18,181,000) lower/higher respectively.

(b) Cash flow and fair value interest rate risk

Except for cash and cash equivalents (note 24) and borrowings (note 29), the Group has no other significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group has not used any financial instruments to hedge its exposure to cash flow interest rate risk.

As at 31 December 2021 and 31 December 2020, as all borrowings have fixed interest rates, interest rate risk is avoided.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(ii) Credit risk

Credit risk arises from bank deposits, trade and other receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions.

(a) Risk management

Credit risk is managed on a group basis. All bank balances were placed with or entered into with highly reputable and sizable banks and financial institutions without significant credit risk. Majority of the Group's sales are settled in cash by its customers on delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that settlement of trade receivables are followed up on a timely basis.

The Group has no significant concentrations of credit risk. The carrying amounts of bank deposits, trade receivables and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

The table below shows the bank balances with counterparties as at 31 December 2021 and 2020:

	2021 **RMB'000**	2020 RMB'000
Counterparties		
— Big 4 state-owned banks (Note)	**131,714**	271,112
— Other reputable and sizeable domestic commercial banks	**194,634**	80,939
— Highly reputable and sizeable foreign-owned banks	**113,323**	358,961
	439,671	711,012

Note: Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

(b) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of goods, and
- other financial assets at amortised cost.

While cash and cash equivalents were also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

Trade receivables

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging periods.

The expected loss rates are based on the ageing profiles of trade receivables over a period of 36 months before 31 December 2021 and 31 December 2020 respectively. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables:

31 December 2021	**Within 6 months**	**7 to 12 months**	**Over 12 months**
Expected loss rate	0.02%	0.12%	11.37%

31 December 2020	**Within 6 months**	**7 to 12 months**	**Over 12 months**
Expected loss rate	0.02%	0.12%	65.22%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

(b) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

The closing loss allowances for trade receivables as at 31 December 2021 and 31 December 2020 reconcile to the opening loss allowances as follows:

	Trade receivables Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Opening loss allowance at 1 January	**1,456**	3
Increase in loss allowance recognised in profit or loss during the year	**—**	1,453
Receivables written off during the year as uncollectible	**(223)**	—
Unused amount reversed	**(1,186)**	—
Closing loss allowance at 31 December	**47**	1,456

Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

There is no loss allowance for other financial assets at amortised cost as at 31 December 2021 and 2020.

(iii) Liquidity risk

Cash flow is managed at Group level by head office finance department ("**Group Finance**"). Group Finance monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. Group Finance usually takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Group Finance mainly invests surplus cash in time deposits, with appropriate maturities.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021					
Trade payables	**100,321**	**—**	**—**	**—**	**100,321**
Other payables (excluding non-financial liabilities)	**197,661**	**—**	**—**	**—**	**197,661**
Borrowings (note 29)	**98,728**	**—**	**—**	**—**	**98,728**
Lease liabilities	**—**	**—**	**2,196**	**6,588**	**8,784**
	396,710	**—**	**2,196**	**6,588**	**405,494**
At 31 December 2020					
Trade payables	86,347	—	—	—	86,347
Other payables (excluding non-financial liabilities)	136,473	—	—	—	136,473
Borrowings (note 29)	70,805	—	—	—	70,805
Lease liabilities	1,141	421	1,098	7,686	10,346
	294,766	421	1,098	7,686	303,971

(2) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated on the basis of the net borrowings as a percentage of the total 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2021:

	At 31 December	
	2021 **RMB'000**	2020 RMB'000
Financial assets		
Financial assets at fair value through profit or loss ("**FVPL**")		
— Level 2 (note 23)	**8,000**	—
— Level 3 (note 23)	**43,820**	56,942
Financial assets at fair value through other comprehensive income ("**FVOCI**")		
— Level 3 (note 19)	**93,899**	61,610
	145,719	118,552

During the year ended 31 December 2021 and 2020, there are no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

The following table presents the changes in level 3 instruments for the year ended 31 December 2021:

	Year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Opening Balance	**118,552**	23,146
Additions-FVOCI	**17,696**	9,800
Additions-FVPL	**10,000**	56,197
Fair value changes — (loss)/gain to profit and loss	**(15,122)**	745
Fair value changes — gain to other comprehensive income	**14,593**	28,664
Closing balance	**145,719**	118,552

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(2) Impairment of property, plant and equipment

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policy stated in Note 2(10). The recoverable amount of a CGU (cash-generating unit) has been determined based on higher of value-in-use and fair value less costs to sell.

The Group measured the value-in-use and fair value less costs to sell by discounting the future estimated cash flow deriving from the property, plant and equipment. These calculations required the Group to estimate the expected future cash flows from the CGUs and also to apply a suitable discount rate in order to calculate the present value of those cash flows.

(3) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3(1).

(4) Estimation of the fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market, such as equity interest classified as FVOCI and investment in unlisted units in investment fund are determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(5) Current tax and deferred tax

The Group is subject to income taxes in Mainland China and in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

5 REVENUE AND SEGMENT INFORMATION

(1) Description of segments

The Board of Directors of the Company monitors the gross profit of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

i. Jelly Products
ii. Crackers and Chips
iii. Seasoning Products
iv. Confectionery and Other Products

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments results

	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)**
Reveral 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 losses 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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments results *(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 RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments results *(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 customers

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.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the Board of Directors of the Company for review.

(3) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	2021 RMB'000	2020 RMB'000
Contract liabilities — advances from customers	**133,646**	78,751

The following table shows how much of the revenue recognised in the current reporting year that was related to carried-forward contract liabilities:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Advances from customers	**78,751**	53,885

The Group selected to choose a practical expedient and omitted disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

6 EXPENSES BY NATURE

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

	2021 **RMB'000**	2020 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 (note 7)	**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 (note 13)	**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 (note 21)	**(4,909)**	6,169
Rental expenses for leases of properties (note 15)	**4,235**	5,364
Amortisation of right-of-use assets (note 15)	**2,450**	3,496
Auditor's remuneration	**2,000**	1,900
Amortisation of intangible assets (note 16)	**438**	417
Others	**53,748**	34,540
Total cost of sales, distribution cost and selling expenses and administrative expenses	**919,722**	787,897

7 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2021 RMB'000	2020 RMB'000
Wages and salaries	**181,792**	150,354
Equity-settled share-based payment expense (note 26)	**1,107**	1,391
Pension, housing fund, medical insurance and other social benefits	**20,716**	3,482
Total employee benefit expenses	**203,615**	155,227

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included two (2020: two) directors, details of whose emoluments are reflected in the analysis presented in note 37. The emoluments payable to the remaining three (2020: three) individuals during the year were as follows:

	2021 RMB'000	2020 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,212**	836
Discretionary bonuses	**104**	98
Pension, housing fund, medical insurance and other social benefits	**125**	16
Equity-settled share-based payment	**14**	20
	1,455	970

The emoluments fell within the following band:

	Numbers of the individual	
	2021	2020
Emolument band		
Within HKD1,000,000	**3**	3

8 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.

9 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 15)	**(232)**	(174)
Other finance charges	**(456)**	(466)
	(5,818)	(13,020)
Finance income — net	**7,093**	4,143

10 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated income statement represents:

	2021 **RMB'000**	2020 RMB'000
Current income tax	**(6,276)**	30,295
Deferred income tax, net (note 30)	**38,519**	(22,231)
Income tax expense	**32,243**	8,064
Represented by:		
Corporate income tax	**32,243**	8,944
Withholding tax on distributed profits and unremitted earnings	**—**	(880)
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 recognized for the withholding tax that would be payable on such unremitted earnings of certain subsidiaries of the Group in the PRC.

10 INCOME TAX EXPENSE *(Continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to the profits of the Group's companies as follows:

	2021 RMB'000	2020 RMB'000
(Loss)/profit before income tax	**(48,654)**	25,724
Tax calculated at tax rates applicable to profits of the Group's companies	**(10,052)**	6,816
Income not subject to tax	**(1,796)**	(559)
Reversal of prior year recognised deferred income tax assets	**25,366**	—
Unrecognised deductible temporary difference	**19,107**	—
Expenses not deductible	**285**	1,220
Withholding tax on distributed profit and unremitted earnings	**—**	(880)
Others	**(667)**	1,467
Income tax expense	**32,243**	8,064

11 (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

11 (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) Diluted *(Continued)*

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 comprise 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

12 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).

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2021					
Cost	401,491	183,025	22,254	2,473	609,243
Accumulated depreciation	(112,163)	(73,962)	(15,177)	(254)	(201,556)
Accumulated impairment	—	(5,274)	—	—	(5,274)
Net book amount	289,328	103,789	7,077	2,219	402,413
Year ended 31 December 2021					
Opening net book amount	289,328	103,789	7,077	2,219	402,413
Additions	21,591	30,264	9,583	11	61,449
Transfer from construction-in-progress (note 14)	211,092	81,360	352	—	292,804
Depreciation for the year (note 6)	(20,403)	(21,645)	(2,266)	(873)	(45,187)
Disposals	(81)	(1,277)	(121)	(141)	(1,620)
Closing net book amount	501,527	192,491	14,625	1,216	709,859
At 31 December 2021					
Cost	633,358	288,675	31,266	2,160	955,459
Accumulated depreciation	(131,831)	(90,910)	(16,641)	(944)	(240,326)
Accumulated impairment	—	(5,274)	—	—	(5,274)
Net book amount	501,527	192,491	14,625	1,216	709,859

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2020					
Cost	264,472	150,292	19,748	1,102	435,614
Accumulated depreciation	(102,417)	(62,773)	(15,460)	(146)	(180,796)
Accumulated impairment	—	(7,218)	—	—	(7,218)
Net book amount	162,055	80,301	4,288	956	247,600
Year ended 31 December 2020					
Opening net book amount	162,055	80,301	4,288	956	247,600
Additions	27,099	15,583	3,029	1,371	47,082
Transfer from construction-in-progress (note 14)	116,704	22,426	226	—	139,356
Depreciation for the year (note 6)	(15,839)	(13,876)	(444)	(108)	(30,267)
Disposals	(691)	(645)	(22)	—	(1,358)
Closing net book amount	289,328	103,789	7,077	2,219	402,413
At 31 December 2020					
Cost	401,491	183,025	22,254	2,473	609,243
Accumulated depreciation	(112,163)	(73,962)	(15,177)	(254)	(201,556)
Accumulated impairment	—	(5,274)	—	—	(5,274)
Net book amount	289,328	103,789	7,077	2,219	402,413

Depreciation expenses have been charged to the consolidated income statement as follows:

	2021 RMB'000	2020 RMB'000
Manufacturing overheads included in cost of goods sold	**35,049**	23,696
Distribution and selling expenses	**359**	171
Administrative expenses	**9,779**	6,400
	45,187	30,267

As at 31 December 2021, certain land use rights (note 15) and buildings of the Group, with a total net book value of RMB80,371,000 (2020: RMB14,966,000), were pledged as security for borrowings amounted to RMB79,800,000 (2020: RMB10,000,000) of the Group as disclosed in notes 29.

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 to sell the subsidiary's 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. The property and plants subject to the disposal with carrying amounts totalled RMB29,928,000 as at the date of signing of the agreement on 29 November 2019 had ceased depreciation since 29 November 2019 given that its anticipated recoverable amount from the compensation consideration is larger than the carrying amounts.

14 CONSTRUCTION-IN-PROGRESS

	2021 RMB'000	2020 RMB'000
At 1 January	**231,452**	112,075
Additions	**291,882**	258,733
Transfer to property, plant and equipment (note 13)	**(292,804)**	(139,356)
At 31 December	**230,530**	231,452

15 LEASES (INCLUDING LAND USE RIGHTS)

(i) Amounts recognised in the consolidated balance sheet

	As at 31 December	
	2021 RMB'000	2020 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

15 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 analysed as follows:

	2021		
	Buildings RMB'000	**Land use rights RMB'000**	**Total 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 6)	**(609)**	**(1,841)**	**(2,450)**
At 31 December	**5,484**	**76,583**	**82,067**

	2020		
	Buildings RMB'000	Land use rights RMB'000	Total 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 6)	(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: RMB 6,414,000) were still in the process of applying for the ownership certificates.

15 LEASES (INCLUDING LAND USE RIGHTS) *(Continued)*

(ii) Amounts recognised in the consolidated income statement

	2021 Buildings RMB'000	**Land use rights RMB'000**	**Total RMB'000**
Amortisation charges (note 6)			
Administrative expenses	**609**	**1,841**	**2,450**
Interest expense (included in finance costs) (note 9)			**232**
Operating lease expenses in respect of buildings (note 6)			**4,235**
Total charges to income statement			**6,917**

	2020 Buildings RMB'000	Land use rights RMB'000	Total RMB'000
Amortisation charges (note 6)			
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 9)			174
Operating lease expenses in respect of buildings (note 6)			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).

15 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.

16 INTANGIBLE ASSETS

	2021 RMB'000	2020 RMB'000
Computer softwares		
At 1 January		
Cost	**3,064**	2,324
Accumulated amortisation	**(562)**	(145)
Net book amount	**2,502**	2,179
Year ended 31 December		
Opening net book amount	**2,502**	2,179
Additions	**546**	740
Amortisation for the year (note 6)	**(438)**	(417)
Closing net book amount	**2,610**	2,502
At 31 December		
Cost	**3,610**	3,064
Accumulated amortisation	**(1,000)**	(562)
Net book amount	**2,610**	2,502

Amortisation of intangible assets has been charged to administrative expenses in the consolidated income statements.

17 PREPAYMENTS FOR NON-CURRENT ASSETS

The balance represented prepayments for purchase of property, plant and equipment and land use rights.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2021 RMB'000	2020 RMB'000
At 1 January	**2,539**	3,109
Additions during the year	**36,520**	2,301
Share of results	**(756)**	(2,871)
Disposal during the year	**(1,271)**	—
At 31 December	**37,032**	2,539

In July 2021, the Group invested RMB25,000,000 in Huajia Food Technology (Shanghai) Co., Ltd. (華稼食品科技(上海)股份有限公司) ("**Huajia Food**") for a 16.13% equity interest in Huajia Food with one board seat. The Group is regarded to be able to exert significant influence on Huajia Food. Huajia Food was established on 21 April 2011 and is in the business of the manufacture and sale of wheat extract and oatmeal.

In September 2021, the Group invested RMB11,520,000 in Hangzhou Zhuanxiang Culture Communication Co., Ltd. (杭州磚巷文化傳播有限公司) ("**Hangzhou Zhuanxiang**") for a 30.00% equity interest in Hangzhou Zhuanxiang with one board seat. Hangzhou Zhuanxiang was established on 28 March 2016 and is in the business of the manufacture and sale of customised beer products.

During the year ended 31 December 2021, the Group disposed off 49.93% equity interest in Jinjiang Buzui Investment Partnership (Limited Partnership)(晉江不醉股權投資合夥企業(有限合夥)) ("**Jinjiang Buzui**"), a limited investment partnership established on 22 May 2019. Subsequent to the disposal, the Group holds 49.93% of the equity interest in Jinjiang Buzui, as a limited partner, as at 31 December 2021. The Group has been executing its rights as a limited partner and does not hold the management responsibilities of Jinjiang Buzui since initial investment. The Group is regarded to be able to exert significant influence on Jinjiang Buzui by virtue of the fact that the Group holds a significant equity holding in Jinjiang Buzui, and accordingly the investment Jinjiang Buzui has been accounting for as an associate of the Group. Jinjiang Buzui principally holds 60.83% (2020: 60.83%) of the equity interest in Shanghai Buzui Wine Industry Co, Ltd., which is in the business of distribution and sale of sparkling and fruit wine.

Set out below are the associates of the Group as at 31 December 2021, all of which have been accounted for using equity method. In the opinion of the directors,the Group's associates as at 31 December 2021 are all individually immaterial to the Group.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Name of entity	Place of business and date of establishment	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2021 %	2020 %			**2021 RMB'000**	2020 RMB'000
Huajia Food	Mainland China, 21 April 2011	**16.13**	—	Associate	Equity method	**25,006**	—
Hangzhou Zhuanxiang	Mainland China, 28 March 2016	**30.00**	—	Associate	Equity method	**12,026**	—
Jinjiang Buzui	Mainland China, 22 May 2019	**49.93**	99.86	Associate	Equity method	**–**	2,539
Total						**37,032**	2,539

The associates are private companies and there are no quoted market price available for their shares.

There are no material contingent liabilities relating to the Group's interest in the associates.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 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, 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 (note 3(3)), 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.

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Note	2021 RMB'000	2020 RMB'000
Financial assets			
Financial assets at amortised cost			
— Trade receivables	22	**5,153**	11,040
— Other receivables, prepayments and deposits, excluding non-financial assets	22	**357**	4,485
— Cash and bank balances	24	**439,671**	711,018
FVPL	23	**51,820**	56,942
FVOCI	19	**93,899**	61,610
		590,900	845,095
Financial liabilities			
Financial liabilities at amortised costs			
— Trade payables	28	**100,321**	86,347
— Other payables, excluding non-financial liabilities	28	**197,661**	136,473
Borrowings	29	**97,364**	70,199
Lease liabilities	15	**6,473**	7,762
		401,819	300,781

21 INVENTORIES

	2021 RMB'000	2020 RMB'000
Finished goods	**33,553**	48,685
Work-in-progress	**48,305**	39,923
Raw materials	**73,856**	59,696
Spare parts and consumables	**1,981**	2,252
	157,695	150,556

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB449,074,000 (2020: RMB402,795,000).

The Group recorded a reversal of provision for decline in value of inventories amounting to RMB4,909,000 (2020: provision of decline in value of RMB6,169,000). These amounts have been included in cost of goods sold in the consolidated income statement (note 6).

22 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	2021 RMB'000	2020 RMB'000
Trade receivables	**5,200**	12,496
Less: provision for impairment (note 3(1)(ii)(b))	**(47)**	(1,456)
	5,153	11,040
Other receivables, prepayments and deposits		
Value added tax recoverable	**38,504**	18,010
Advance payments to suppliers	**23,060**	22,570
Prepayments for utility and other expenses	**1,052**	5,974
Others	**357**	4,485
	62,973	51,039
Total	**68,126**	62,079

(i) The Group's distribution and sale of self-manufactured products are subject to value added tax ("**VAT**"). The applicable tax rate for domestic sales 13% after 1 April 2019. Input VAT from purchases of raw materials, certain fixed assets and utilities can be deducted from output VAT. VAT recoverable is the net difference between deductible input and output VAT.

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 RMB'000	2020 RMB'000
Within 30 days	**5,153**	9,792
31-180 days	**—**	1,251
Over 365 days	**47**	1,453
	5,200	12,496

There is no significant concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As the credit terms are short and most of the trade receivables, other receivables, prepayments and deposits are due for settlement within one year, the carrying amount of the trade receivables, other receivables, prepayments and deposits approximated their fair value at the balance sheet date.

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. The Group does not hold any collateral as security.

22 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS *(Continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**4,897**	12,392
Other currencies	**303**	104
	5,200	12,496

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 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.

(b) The fair values of the unlisted equity investment was determined mainly based on direct comparison approach by making reference to quoted market price earnings 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).

24 CASH AND BANK BALANCES

	2021 **RMB'000**	2020 RMB'000
Cash and cash equivalents	**391,190**	547,241
Restricted bank deposits — current	**22,118**	65,946
Term deposits — current	**26,363**	97,831
Total	**439,671**	711,018

The cash and cash equivalents represented cash deposits held at call with banks and in hand and deposits with original maturity within three months.

The restricted bank deposits are deposits held at bank for bank facilities and secured borrowings of the Group.

The term deposits — current have original maturities over three months at inception.

The carrying amounts of the cash and bank balances were denominated in the following currencies:

	2021 **RMB'000**	2020 RMB'000
RMB	**431,430**	400,107
HKD	**2,326**	167,351
USD	**5,361**	142,927
JPY	**554**	633
Total	**439,671**	711,018

The Group's bank deposits and cash denominated in RMB included deposit with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

25 SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 31 December 2020 and 31 December 2021	**1,000,000,000**	10,000

	Number of shares	Share capital RMB'000
Issued and fully paid:		
At 1 January 2020	675,096,557	5,758
Issue of shares during the year	80,000,000	675
At 31 December 2020	755,096,557	6,433
At 31 December 2021	**755,096,557**	6,433

During the year ended 31 December 2020, pursuant to the subscription agreements dated 22 December 2020 entered into between the Company and the subscribers, an aggregate of 80,000,000 new shares of the Company with par value of HK$0.01 per share were issued at HK$2.2 per share to the subscribers. The net proceeds of the issue was approximately HK$175.8 million (equivalent to approximately RMB148.4 million) and the amount of RMB675,000 and RMB147,741,000 (note 27) were recorded under share capital and share premium account in other reserves, respectively.

26 SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 May 2017 (the "**Scheme**").

On 6 June 2017, 9,630,000 share options ("**Options**") to subscribe for a total of 9,630,000 ordinary shares of the Company were granted to a director and certain employees of the Group pursuant to the Scheme. Out of the 9,630,000 Options, 9,480,000 Options were accepted by the grantees.

On 16 August 2018, 11,000,000 Options to subscribe for a total of 11,000,000 ordinary shares of the Company were granted to two directors and certain employees of the Group pursuant to the Scheme. All Options were accepted by the grantees.

On 23 August 2021, 12,950,000 Options to subscribe for a total of 12,950,000 ordinary shares of the Company were granted to two directors and certain employees of the Group pursuant to the Scheme. Out of the 12,950,000 Options, 12,720,000 Options were accepted by the grantees.

26 SHARE OPTION SCHEME *(Continued)*

Movements in the number of Options outstanding and their exercise prices are as follows:

	Options granted on 6 June 2017 (exercise price HK$2.56 per share)	Options granted on 16 August 2018 (exercise price HK$2.31 per share)	**Options granted on 23 August 2021 (exercise price HK$2.19 per share)**	Total number of share options
At 1 January 2020	5,350,000	7,620,000	**—**	12,970,000
Cancelled/lapsed during the year	(450,000)	(860,000)	**—**	(1,310,000)
At 31 December 2020	4,900,000	6,760,000	**—**	11,660,000
Granted during the year	—	—	**12,950,000**	12,950,000
Cancelled/lapsed during the year	(690,000)	(1,020,000)	**(800,000)**	(2,510,000)
At 31 December 2021	4,210,000	5,740,000	**12,150,000**	22,100,000

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	**Exercisable Date**	**Expiry date**	**Exercise price**	**Number of options 2021**	2020
6 June 2017	7 June 2019	6 June 2022	HK$2.56	**2,105,000**	2,450,000
6 June 2017	7 June 2020	6 June 2022	HK$2.56	**2,105,000**	2,450,000
16 August 2018	17 August 2020	16 August 2023	HK$2.31	**2,870,000**	3,380,000
16 August 2018	17 August 2021	16 August 2023	HK$2.31	**2,870,000**	3,380,000
23 August 2021	24 August 2022	23 August 2023	HK$2.19	**3,645,000**	—
23 August 2021	24 August 2023	23 August 2024	HK$2.19	**3,645,000**	—
23 August 2021	24 August 2024	23 August 2025	HK$2.19	**4,860,000**	—
Total				**22,100,000**	11,660,000

The total amount of the fair value of share options granted to Directors and selected employees is expensed over the vesting period. The equity-settled share-based payment expense for the year ended 31 December 2021 amounted to RMB1,107,000 (2020: RMB1,391,000) (note 7), and the remaining unamortised fair value of share options granted of approximately RMB3,817,000 (2020: RMB202,000) will be charged to the consolidated income statement in the future.

26 SHARE OPTION SCHEME *(Continued)*

The following assumptions were used to calculate the fair values of the Options by using Binomial Model:

	6 June 2017	16 August 2018		**23 August 2021**	
Grant date share price	HK$2.56	HK$2.29		**HK$2.19**	
Exercise price	HK$2.56	HK$2.31		**HK$2.19**	
Expected life	5 years	5 years	**2 years**	**3 years**	**4 years**
Expected volatility (a)	33%	34%	**41%**	**39%**	**37%**
Risk-free rate (b)	0.94%	2.06%	**0.18%**	**0.29%**	**0.45%**
Dividend yield (c)	1.49%	1.91%	**0%**	**0%**	**0%**

Note:

(a) Expected volatility is estimated with reference to the historical share price of the Company and a set of comparable companies.

(b) Risk-free rate is determined with reference to the yield of Hong Kong Exchange Fund Notes.

(c) Dividend yield is estimated by reference to the historical share price and dividend paid of the Company and a set of comparable companies.

27 OTHER RESERVES

	Share premium RMB'000	**Other reserve** RMB'000	**Statutory reserves** RMB'000	**FVOCI Reserve** RMB'000	**Exchange reserve** RMB'000	**Share option reserve** RMB'000	**Total** RMB'000
At 1 January 2021	**614,980**	**(115,044)**	**205,328**	**21,731**	**3,594**	**6,212**	**736,801**
Appropriation to statutory reserves	**—**	**—**	**6,172**	**—**	**—**	**—**	**6,172**
Exhange differences	**—**	**—**	**—**	**—**	**(261)**	**—**	**(261)**
Fair value change of FVOCI	**—**	**—**	**—**	**11,000**	**—**	**—**	**11,000**
Equity-settled share option arrangement (note 26)	**—**	**—**	**—**	**—**	**—**	**1,107**	**1,107**
At 31 December 2021	**614,980**	**(115,044)**	**211,500**	**32,731**	**3,333**	**7,319**	**754,819**
At 1 January 2020	467,239	(115,044)	192,621	—	3,594	4,821	553,231
Appropriation to statutory reserves	—	—	12,707	—	—	—	12,707
Issue of ordinary shares (note 25)	147,741	—	—	—	—	—	147,741
Fair value change of FVOCI	—	—	—	21,731	—	—	21,731
Equity-settled share option arrangement (note 26)	—	—	—	—	—	1,391	1,391
At 31 December 2020	614,980	(115,044)	205,328	21,731	3,594	6,212	736,801

27 OTHER RESERVES *(Continued)*

Statutory reserves comprise statutory surplus reserve of the subsidiary companies in Mainland China. The Company's subsidiaries incorporated in Mainland China are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the accounting regulations and before distribution to shareholders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations at rate of 10% or at the discretion of the Board of Directors of the subsidiaries, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 3(3). These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

28 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	2021 RMB'000	2020 RMB'000
Trade payables	**100,321**	86,347
Other payables and accrued charges		
Payables for purchase of property, plant and equipment	**196,661**	136,473
Accrued expenses and others payables	**54,005**	54,916
Staff salaries payables	**39,773**	36,637
Taxes payables	**1,779**	1,349
Payable for purchase of associate	**1,000**	—
	293,218	229,375
Total	**393,539**	315,722

At 31 December 2021, the ageing analysis of trade payables based on invoice date was as follows:

	2021 RMB'000	2020 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

The carrying amounts of trade payables and other payables approximated their fair value as at the balance sheet date due to short-term maturity.

The carrying amounts of trade payables, other payables and accrued charges were denominated in RMB.

29 BORROWINGS

	2021 RMB'000	2020 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 (note 15), buildings (note 13) and restricted bank deposits (note 24).

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 RMB'000	2020 RMB'000
USD	**9,564**	52,199
RMB	**87,800**	18,000
	97,364	70,199

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

30 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	2021 RMB'000	2020 RMB'000
Deferred income tax assets		
— Deferred income tax asset to be recovered after more than 12 months	**7,239**	41,793
— Deferred income tax asset to be recovered within 12 months	**6,162**	9,313
	13,401	51,106
Deferred income tax liabilities		
— Deferred income tax liability to be settled after more than 12 months	**(16,705)**	(12,298)
Net amount	**(3,304)**	38,808

30 DEFERRED INCOME TAX *(Continued)*

The movements on the net amount of deferred income tax account are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**38,808**	23,776
Charged to other comprehensive income	**(3,593)**	(7,199)
(Charged)/credited to consolidated income statement (note 10)	**(38,519)**	22,231
At end of the year	**(3,304)**	38,808

The movements in the deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets:

	Accrued expense and provisions		Temporary differences attributable to right-of-use assets		Unrealised profit in inventories arising from intra-group transactions		Tax losses		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
At beginning of the year	**8,065**	7,739	**11,665**	3,009	**1,248**	842	**30,128**	17,139	**51,106**	28,729
(Charged)/credited to consolidated income statement	**(3,107)**	326	**(11,665)**	8,656	**(44)**	406	**(22,889)**	12,989	**(37,705)**	22,377
At end of the year	**4,958**	8,065	**–**	11,665	**1,204**	1,248	**7,239**	30,128	**13,401**	51,106

Deferred income tax liabilities:

	Withholding income tax on unremitted earnings in subsidiaries in Mainland China		Temporary differences attributable to property, plant and equipment and right-of-use assets		Tax effects of fair value gains on financial assets at FVOCI		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
At beginning of the year	**–**	880	**5,099**	4,073	**7,199**	–	**12,298**	4,953
Charged to other comprehensive income	**–**	–	**–**	–	**3,593**	7,199	**3,593**	7,199
Charged/(credited) to consolidated income statement	**–**	(880)	**814**	1,026	**–**	–	**814**	146
At end of the year	**–**	–	**5,913**	5,099	**10,792**	7,199	**16,705**	12,298

30 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2021, except for the tax losses amounting to RMB139,389,000 (2020: RMB10,012,000), which the Group did not recognise for deferred income tax assets, the Group recognised all others deferred income tax assets in respect of losses that can be carried forward against future taxable income. There was no invalid tax losses for the year ended 31 December 2021 (2020: Nil) and the unutilised tax losses as at year end date would expire in one to five years for offsetting against future taxable profits.

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 earnings of certain subsidiaries of the Group in the PRC.

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2021 **RMB'000**	2020 RMB'000
(Loss)/profit before income tax	**(48,654)**	25,724
Depreciation of property, plant and equipment (note 13)	**45,187**	30,267
Net fair value losses/(gains) on financial assets at FVPL (note 8)	**15,122**	(745)
Amortisation of right-of-use assets (note 15)	**2,450**	3,496
Equity-settled share-based payment expense (note 26)	**1,107**	1,391
Share of net losses of investments accounted for using the equity method (note 18)	**756**	2,871
Amortisation of intangible assets (note 16)	**438**	417
Losses/(gains) on disposal of property, plant and equipment (note 8)	**408**	(1,194)
Finance income, net	**(7,549)**	(4,787)
(Reversal of)/provision for decline in value of inventories (note 21)	**(4,909)**	6,169
Gains on disposal of investments accounted for using the equity method (note 8)	**(2,380)**	—
Net impairment losses/(reversal) on financial assets	**(1,186)**	1,453
Gains on modification of lease period of land use rights (note 8)	**(27)**	(364)
Operating profit before working capital changes	**763**	64,698
Increase in inventories	**(2,230)**	(58,564)
Increase in trade receivables, other receivables, prepayments and deposits	**(29,769)**	(34,548)
Increase in trade payables, other payables and accrued charges, and contract liabilities	**78,916**	69,753
Cash generated from operations	**47,680**	41,339

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Proceeds from disposal of property, plant and equipment

	2021 RMB'000	2020 RMB'000
Net book value (note 13)	**1,620**	1,358
(Losses)/gains on disposal of property, plant and equipment (note 8)	**(408)**	1,194
Proceeds from disposal of property, plant and equipment	**1,212**	2,552

(c) Debt reconciliation

	Borrowings	Lease liabilities	Total
As at 1 January 2021	**70,199**	**7,762**	**77,961**
Cash flows			
— Inflow from financing activities	**110,486**	**—**	**110,486**
— Outflow from financing activities	**(83,321)**	**—**	**(83,321)**
Non-cash changes			
— Modification of leases	**—**	**(1,289)**	**(1,289)**
As at 31 December 2021	**97,364**	**6,473**	**103,837**
As at 1 January 2020	—	5,086	5,086
Cash flows			
— Inflow from financing activities	126,929	—	126,929
— Outflow from financing activities	(56,730)	(1,636)	(58,366)
Non-cash changes			
— Acquisition-leases	—	7,164	7,164
— Modification of leases	—	(2,852)	(2,852)
As at 31 December 2020	70,199	7,762	77,961

32 CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities (2020: Nil).

33 COMMITMENTS

As at 31 December 2021 and 2020, the Group had the following commitments:

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2021 RMB'000	2020 RMB'000
Contracted but not provided for in respect of:		
Machinery and equipment	**59,421**	62,063
Buildings and land use rights	**156,519**	316,582
	215,940	378,645

(b) Other commitments

As at 31 December 2021 and 2020, the Group had future aggregate minimum payments under non-cancellable operating leases and other non-cancellable contracts as follows:

	2021 RMB'000	2020 RMB'000
Not later than 1 year	**2,033**	1,097
Later than 1 year and not later than 5 years	**1,641**	—
	3,674	1,097

34 RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is Mr. Hui Ching Lau ("Mr. Hui"), who is also the Chairman of the Board. Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties during the years.

(a) Transactions with related parties

(i) Lease of offices

	2021 RMB'000	2020 RMB'000
— Lianjie Sports Investments Limited ("**Lianjie Sports**")	**399**	428
— Lianjie Investments Group Limited ("**Lianjie Investments**")	**2,084**	2,635
	2,483	3,063

(ii) Purchases of goods

	2021 RMB'000	2020 RMB'000
— Fujian Shuncheng Flour Industry Development Co., Ltd. ("**Shuncheng Flour**")	**229**	1,794

Lianjie Sports is a company wholly owned by Mr. Hui.

Lianjie Investments is a company controlled by Mr. Hui and his associates.

Shuncheng Flour is a company controlled by two directors of the Company and their associates.

(b) Key management compensation

	2021 RMB'000	2020 RMB'000
Key management compensation — Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,253**	3,422

Further details of directors' and the chief executive's emoluments are included in note 37 to the consolidated financial statements

35 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries of the Company as at 31 December 2021:

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Direct subsidiary:				
QinQin Foodstuffs Group Company Limited	British Virgin Island, limited liability company	Investment holding in Hong Kong	135,946,900 Ordinary shares of HKD0.001 each	100%
Xiaogan QinQin (Hong Kong) Company Limited(孝感親親(香港)有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1,000	100%
Indirect subsidiaries:				
QinQin Foodstuffs Group (Hong Kong) Company Limited(親親食品集團(香港)股份有限公司)	Hong Kong, limited liability company	Investment holding, distribution and sale of snack foods in Hong Kong	HKD1	100%
QinQin F&B (China) Investments Co., Ltd (親親(中國)投資有限公司)	Mainland China, wholly foreign-owned enterprise	Investment holding in Mainland China	USD100,000,000	100%
Fushun Nanfang Food Industry Co., Ltd. (撫順南方食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB10,000,000	100%
Fushun QinQin Food Industry Development Co., Ltd.(撫順親親食品工業發展有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB22,000,000	100%
Luohe Linying QinQin Food Industry Co., Ltd. (漯河臨潁親親食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB150,000,000	100%

35 PRINCIPAL SUBSIDIARIES

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Indirect subsidiaries: *(Continued)*				
Fujian QinQin Holdings Co., Ltd. (福建親親股份有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB93,680,000	100%
Quanzhou QinQin Foodstuff Co., Ltd. (泉州親親食品有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	RMB130,000,000	100%
Taian QinQin Food Co., Ltd. (泰安親親食品有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB5,000,000	100%
Xiantao QinQin Food Industry Co., Ltd. (仙桃親親食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB10,000,000	100%
Xiantao QinQin Flavour Commerce Co., Ltd. (仙桃市親親調料商貿有限公司)	Mainland China, wholly foreign-owned enterprise	Trading in Mainland China	RMB10,000,000	100%
QinQin Business Trade Co., Ltd. (泉州親親商貿有限公司)	Mainland China, wholly foreign-owned enterprise	Trading in Mainland China	RMB5,000,000	100%
QinQin (Quanzhou) E-commerce Co.,Ltd. (泉州市親親電子商務有限公司)	Mainland China, wholly foreign-owned enterprise	Trading and online trading in Mainland China	RMB55,000,000	100%
Xiaogan QinQin F&B Co., Ltd. (孝感親親食品有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of food and beverage products in Mainland China	USD6,000,000	100%

35 PRINCIPAL SUBSIDIARIES

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Indirect subsidiaries: *(Continued)*				
Xiaogan QinQin Biotechnology Co., Ltd. (孝感親親生物科技有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of food and beverage products in Mainland China	USD24,000,000	100%
Xiantao QinQin Food Technology Co., Ltd. (仙桃市親親食品科技有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	USD20,000,000	100%
Jining QinQin Food Technology Co., Ltd. (濟寧市親親食品科技有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	USD29,000,000	100%
Shin Shin Investments Company Limited (親親投資株式会社)	Japan, limited liability company	Investment holding, distribution and sale of snack foods in Japan	JPY10,000,000	100%
Sichuan QinQin Food Technology Co., Ltd. (四川省親親食品科技有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	USD15,000,000	100%
Shanghai Sanliang Catering Management Co., Ltd. (上海叁兩餐飲管理有限責任公司)	Mainland China, wholly foreign-owned enterprise	Sale of baking products	RMB5,000,000	80%
Ningxia QinQin Food Technology Co., Ltd. (寧夏親親食品科技有限責任公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	USD6,000,000	100%

36 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

(a) Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	**123,106**	122,000
Current assets		
Other receivables, prepayments and deposits	**381,352**	195,429
Financial assets at fair value through profit or loss	**41,820**	56,942
Cash and bank balances	**41,507**	239,060
	464,679	491,431
Total assets	**587,785**	613,431
Equity		
Share capital	**6,433**	6,433
Reserves	**581,352**	606,998
Total equity	**587,785**	613,431
Liabilities	**—**	—
Total equity and liabilities	**587,785**	613,431

The balance sheet of the Company was approved by the Board of Directors on 18 March 2022 and was signed on its behalf.

Hui Ching Lau
Director

Wong Wai Leung
Director

36 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY *(Continued)*

(b) Reserves movements of the Company

	Share premium RMB'000	**Accumulated losses** RMB'000	**Share option reserve** RMB'000	**Total** RMB'000
At 1 January 2021	**614,980**	**(14,194)**	**6,212**	**606,998**
Loss for the year	**—**	**(26,753)**	**—**	**(26,753)**
Equity-settled share option arrangement (note 26)	**—**	**—**	**1,107**	**1,107**
At 31 December 2021	**614,980**	**(40,947)**	**7,319**	**581,352**
At 1 January 2020	467,239	(2,087)	4,821	469,973
Loss for the year	—	(12,107)	—	(12,107)
Issue of ordinary shares (note 25)	147,741	—	—	147,741
Equity-settled share option arrangement (note 26)	—	—	1,391	1,391
At 31 December 2020	614,980	(14,194)	6,212	606,998

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2021 is set out below:

Name of Director	Directors' fees RMB'000	Basic salaries, housing allowances, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Pension, housing fund allowances, medical insurance and other social benefits RMB'000	Total RMB'000
Executive Directors:						
Mr. Hui Ching Lau *(Chairman)*	50	—	—	—	3	53
Mr. Wong Wai Leung	50	1,788	—	8	15	1,861
Mr. Wu Wenxu	50	472	101	21	10	654
Non-executive Directors:						
Mr. Hui Lin Chit	50	—	—	—	—	50
Mr. Sze Man Bok	50	—	—	—	—	50
Mr. Wu Huolu	50	—	—	—	—	50
Mr. Wu Sichuan	50	—	—	—	6	56
Mr. Wu Yinhang	50	—	—	—	3	53
Independent Non-executive Directors:						
Mr. Cai Meng	84	—	—	—	—	84
Mr. Chan Yiu Fai Youdey	84	—	—	—	—	84
Mr. Ng Swee Leng	84	—	—	—	—	84
Mr. Paul Marin Theil	84	—	—	—	—	84
	736	2,260	101	29	37	3,163

37 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive for the year ended 31 December 2020 is set out below:

Name of Director	Directors' fees RMB'000	Basic salaries, housing allowances, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Pension, housing fund allowances, medical insurance and other social benefits RMB'000	Total RMB'000
Executive Directors:						
Mr. Hui Ching Lau *(Chairman)*	53	—	—	—	3	56
Mr. Wong Wai Leung	53	1,608	—	28	16	1,705
Mr. Wu Wenxu (Note)	3	247	78	26	6	360
Non-executive Directors:						
Mr. Hui Lin Chit	53	—	—	—	—	53
Mr. Sze Man Bok	53	—	—	—	—	53
Mr. Wu Huolu	53	—	—	—	—	53
Mr. Wu Sichuan	53	—	—	—	6	59
Mr. Wu Yinhang	53	—	—	—	7	60
Independent Non-executive Directors:						
Mr. Cai Meng	89	—	—	—	—	89
Mr. Chan Yiu Fai Youdey	89	—	—	—	—	89
Mr. Ng Swee Leng	89	—	—	—	—	89
Mr. Paul Marin Theil	89	—	—	—	—	89
	730	1,855	78	54	38	2,755

Note: Mr. Wu Wen Xu was appointed as an executive director of the Company on 8 December 2020.

During the year ended 31 December 2021, no emoluments paid or receivable in respect of a person's services as a director (whether of the Company or its subsidiary undertaking) other than those disclosed in above tables, such as discretionary bonuses, housing allowance, or remunerations paid or receivable in respect of accepting office as director incurred (2020: none), and no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking incurred (2020: none).

37 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

During the year ended 31 December 2021, no payments (2020: RMB13,000) of retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

During the year ended 31 December 2021, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2020: None).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, no consideration was provided to or receivable by third parties for making available director's services (2020: None).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities (2020: None).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 34(a), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020 : None).

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**860,254**	792,829	690,852	761,819	727,257
(Loss)/profit before income tax	**(48,654)**	25,724	104,355	39,031	(2,256)
Income tax expense	**(32,243)**	(8,064)	(23,168)	(6,271)	(4,280)
(Loss)/profit for the year	**(80,897)**	17,660	81,187	32,760	(6,536)
(Loss)/profit attributable to:					
Equity shareholders of the Company	**(80,841)**	17,660	81,187	32,760	(6,536)
Non-controlling interests	**(56)**	–	–	–	–
(Loss)/profit for the year	**(80,897)**	17,660	81,187	32,760	(6,536)

ASSETS AND LIABILITIES

	At 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,916,728**	1,842,928	1,369,574	1,050,718	792,863
Total liabilities	**648,821**	506,970	222,814	182,421	121,480
Total equity	**1,267,907**	1,335,958	1,146,760	868,297	671,383

The summary above does not form part of the audited consolidated financial statements in the annual report.