



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



2022

Interim Report

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Hui Ching Lau (*Chairman*)
Wong Wai Leung (*Chief Financial Officer*)
Wu Wenxu (*Chief Executive Officer*)

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

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Jinjiang City, Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2601, 26th Floor
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18 Harcourt Road, Hong Kong

LEGAL ADVISERS

Hong Kong
Reed Smith Richards Butler

PRC
Global Law Office

Cayman Islands
Maples and Calder

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

COMPANY'S WEBSITE

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CONTENTS

	Pages
Financial Highlights	3
Interim Financial Information	4
Report on Review of Interim Financial Information	5-6
Interim Condensed Consolidated Income Statement	7
Interim Condensed Consolidated Statement of Comprehensive Income	8
Interim Condensed Consolidated Balance Sheet	9-10
Interim Condensed Consolidated Statement of Changes in Equity	11
Interim Condensed Consolidated Cash Flow Statement	12
Notes to the Interim Condensed Consolidated Financial Information	13-31
Management Discussion and Analysis	32-40
Other Information	41-46

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE AND RATIOS

For the six months ended 30 June	Unaudited 2022 RMB'000	Unaudited 2021 RMB'000	Changes
Revenue	531,529	505,620	5.1%
Gross profit	143,635	129,774	10.7%
Gross profit margin	27.0%	25.7%	1.3% points
EBITDA ⁽¹⁾	58,422	19,239	2.0 times
Profit/(loss) attributable to shareholders of the Company	4,626	(8,653)	1.5 times
Earnings/(loss) per share			
— Basic	RMB0.006	RMB (0.011)	
— Diluted	RMB0.006	RMB (0.011)	

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000	Changes
Total assets	1,784,307	1,916,728	-6.9%
Net cash position ⁽²⁾	281,455	342,307	-17.8%
Net current assets	12,858	91,669	-86.0%
Total equity attributable to shareholders of the Company	1,272,692	1,266,963	0.5%
Return on equity (annualised) ⁽³⁾	0.7%	-6.4%	7.1% points
Net asset per share	RMB1.7	RMB1.7	
Finished goods turnover days ⁽⁴⁾	15 days	23 days	
Trade receivables turnover days ⁽⁵⁾	2 days	3 days	

Notes:

- (1) EBITDA is equal to the loss or profit for the period 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 annualised loss or profit attributable to equity shareholders divided by total shareholders' equity at the end of the relevant period/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 period/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 period/year.

INTERIM FINANCIAL INFORMATION

The Board of Directors of Qinqin Foodstuffs Group (Cayman) Company Limited (the “**Company**”) (the “**Board**”) is pleased to present the unaudited interim condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2022, together with the comparative figures and selected explanatory notes. The interim financial information has been reviewed by the Company’s audit committee and the Company’s auditor, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of directors of Qinqin Foodstuffs Group (Cayman) Company Limited

親親食品集團(開曼)股份有限公司

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information of Qinqin Foodstuffs Group (Cayman) Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 7 to 31, which comprises the interim condensed consolidated balance sheet as at 30 June 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of this interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the six-month period ended 30 June 2021 and relevant explanatory notes included in this interim financial information were extracted from the interim condensed financial information of the Group for the six-month period ended 30 June 2021 reviewed by another auditor who expressed an unmodified conclusion on that interim condensed financial information on 13 August 2021. The comparative condensed consolidated balance sheet as at 31 December 2021 and relevant explanatory notes included in this interim financial information were extracted from the consolidated financial statements of the Group for the year ended 31 December 2021 audited by the same auditor who expressed an unmodified opinion on those consolidated financial statements on 18 March 2022.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 16 August 2022

Chan Kwan Ho, Edmond

Practising certificate number P02092

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
	Note	2022 RMB'000	2021 RMB'000
Revenue	6	531,529	505,620
Cost of goods sold	7	(387,894)	(375,846)
Gross profit		143,635	129,774
Distribution and selling expenses	7	(70,388)	(79,998)
Administrative expenses	7	(58,939)	(63,446)
Reversal of impairment losses on financial assets		47	1,186
Other income and other (losses)/gains — net	8	(1,267)	12,757
Operating profit		13,088	273
Finance income	9	5,761	5,869
Finance costs	9	(2,604)	(3,908)
Finance income — net		3,157	1,961
Share of net (loss)/gain of investments accounted for using the equity method		(587)	1,766
Profit before income tax		15,658	4,000
Income tax expense	10	(11,171)	(12,653)
Profit/(loss) for the period		4,487	(8,653)
Profit/(loss) is attributable to:			
Shareholders of the Company		4,626	(8,653)
Non-controlling interests		(139)	—
		4,487	(8,653)
Earnings/(loss) per share for profit/(loss) attributable to shareholders of the Company			
— Basic earnings/(loss) per share (expressed in RMB per share)	11	RMB0.006	RMB(0.011)
— Diluted earnings/(loss) per share (expressed in RMB per share)	11	RMB0.006	RMB(0.011)

The notes on pages 13 to 31 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) for the period	4,487	(8,653)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(22)	—
<i>Item that will not be reclassified to profit or loss</i>		
Fair value gains on financial assets at fair value through other comprehensive income	—	10,898
Other comprehensive (loss)/income for the period	(22)	10,898
Total comprehensive income for the period	4,465	2,245
Total comprehensive income/(loss) for the period is attributable to:		
Shareholders of the Company	4,604	2,245
Non-controlling interests	(139)	—
	4,465	2,245

The notes on pages 13 to 31 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	769,882	709,859
Construction-in-progress	13	271,382	230,530
Right-of-use assets	14	80,853	82,067
Intangible assets	13	2,403	2,610
Prepayments for non-current assets		23,093	30,018
Deferred income tax assets		6,384	13,401
Investments accounted for using the equity method		36,445	37,032
Financial assets at fair value through other comprehensive income	5.3	93,899	93,899
		1,284,341	1,199,416
Current assets			
Inventories		105,881	157,695
Trade receivables	15	9,063	5,153
Other receivables, prepayments and deposits		24,229	62,973
Financial assets at fair value through profit or loss	5.3	29,538	51,820
Cash and bank balances	16	331,255	439,671
		499,966	717,312
Total assets		1,784,307	1,916,728
EQUITY			
Share capital	17	6,433	6,433
Other reserves		758,260	754,819
Retained earnings		507,999	505,711
Capital and reserves attributable to shareholders of the Company		1,272,692	1,266,963
Non-controlling interests		805	944
Total equity		1,273,497	1,267,907

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	6,619	6,473
Deferred income tax liabilities		17,083	16,705
		23,702	23,178
Current liabilities			
Trade and bill payables	19	172,585	100,321
Other payables and accrued charges		238,340	293,218
Contract liabilities		22,289	133,646
Current income tax liabilities		4,094	1,094
Borrowings	20	49,800	97,364
		487,108	625,643
Total liabilities		510,810	648,821
Total equity and liabilities		1,784,307	1,916,728

The notes on pages 13 to 31 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Note	Unaudited Attributable to shareholders of the Company			Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
Balance at 1 January 2022		6,433	754,819	505,711	1,266,963	944	1,267,907
Comprehensive income							
Profit for the period		—	—	4,626	4,626	(139)	4,487
Other comprehensive income							
Exchange differences		—	(22)	—	(22)	—	(22)
Total comprehensive income for the period ended 30 June 2022		—	(22)	4,626	4,604	(139)	4,465
Transaction with equity holders							
Equity-settled share option arrangement	18	—	1,125	—	1,125	—	1,125
Appropriation to statutory reserves		—	2,338	(2,338)	—	—	—
Total transaction with equity holders		—	3,463	(2,338)	1,125	—	1,125
Balance at 30 June 2022		6,433	758,260	507,999	1,272,692	805	1,273,497
Balance at 1 January 2021		6,433	736,801	592,724	1,335,958	—	1,335,958
Comprehensive income							
Loss for the period		—	—	(8,653)	(8,653)	—	(8,653)
Other comprehensive income							
Fair value gains on financial assets at fair value through other comprehensive income		—	10,898	—	10,898	—	10,898
Total comprehensive income for the period ended 30 June 2021		—	10,898	(8,653)	2,245	—	2,245
Transaction with equity holders							
Equity-settled share option arrangement	18	—	157	—	157	—	157
Appropriation to statutory reserves		—	7,365	(7,365)	—	—	—
Total transaction with equity holders		—	7,522	(7,365)	157	—	157
Balance at 30 June 2021		6,433	755,221	576,706	1,338,360	—	1,338,360

The notes on pages 13 to 31 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	122,289	22,379
Income tax paid	(777)	(14,365)
Interest paid	(1,551)	(718)
Net cash generated from operating activities	119,961	7,296
Cash flows from investing activities		
Purchase of property, plant and equipment, including additions of construction-in-progress	(194,086)	(188,443)
Withdrawal/(placement) of term deposits	26,363	(68,271)
Payments for financial assets at fair value through other comprehensive income	—	(17,696)
Payments for investments accounted for using the equity method	(1,000)	(5,000)
Purchase of land use rights	—	(74)
Interest received	5,566	5,869
Proceeds from disposal of investments accounted for using the equity method	—	3,651
Proceeds from disposal of property, plant and equipment	516	667
Proceeds from disposal of financial assets at fair value through profit or loss	8,000	—
Purchase of intangible assets	(4)	—
Withdrawal of restricted bank balances	1,864	—
Net cash used in investing activities	(152,781)	(269,297)
Cash flows from financing activities		
Proceeds from bank borrowings	39,800	69,800
Withdrawal of pledged bank deposits	—	14,325
Repayment of bank borrowings	(87,364)	(52,199)
Net cash (used in)/generated from financing activities	(47,564)	31,926
Net decrease in cash and cash equivalents	(80,384)	(230,075)
Cash and cash equivalents at beginning of the period	391,190	547,241
Effect of foreign exchange rate changes in cash and cash equivalents	195	(2,523)
Cash and cash equivalents at 30 June	311,001	314,643

The notes on pages 13 to 31 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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

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

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

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

This interim condensed consolidated financial information has been approved for issue by the Board of Directors on 16 August 2022.

This interim condensed consolidated financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), except for the adoption of the new and amended standards as disclosed in Note 3 below.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this interim condensed consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021 and the corresponding interim financial period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Standards	Effective for annual periods beginning on or after
HKAS 16 (Amendments) ‘Property, Plant and Equipment — Proceeds Before Intended Use’	1 January 2022
HKAS 37 (Amendments) ‘Onerous Contracts — Cost of Fulfilling a Contract’	1 January 2022
HKFRS 3 (Amendments) ‘Reference to the Conceptual Framework’	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	1 January 2022

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New and amended standards that might be relevant to the Group that have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group.

Standards	Effective for annual periods beginning on or after
HKAS 1 (Amendments) 'Classification of Liabilities as Current or Non-current'	1 January 2023
HKFRS 17 'Insurance Contracts'	1 January 2023
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 and HKFRS Practices Statement 2 (Amendments) 'Disclosure of Accounting Policies'	1 January 2023
HKAS 8 (Amendments) '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 (Amendments) 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction'	1 January 2023

The Group is assessing the full impact of the new standard and amendments to standards and interpretations.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2021.

5. FINANCIAL RISK MANAGEMENT

5.1 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 interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

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.

	Unaudited					Total RMB'000
	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		
At 30 June 2022						
Trade and bill payables	172,585	—	—	—		172,585
Other payables (excluding non-financial liabilities)	232,519	—	—	—		232,519
Borrowings	50,933	—	—	—		50,933
Lease liabilities	—	—	3,294	5,490		8,784
	456,037	—	3,294	5,490		464,821
	Audited					
	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 and bill payables	100,321	—	—	—		100,321
Other payables (excluding non-financial liabilities)	197,661	—	—	—		197,661
Borrowings	98,728	—	—	—		98,728
Lease liabilities	—	—	2,196	6,588		8,784
	396,710	—	2,196	6,588		405,494

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

5. FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation of financial instruments

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 30 June 2022:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Financial assets		
Financial assets at fair value through profit or loss ("FVPL")		
— Level 2	—	8,000
— Level 3	29,538	43,820
Financial assets at fair value through other comprehensive income ("FVOCI")		
— Level 3	93,899	93,899
	123,437	145,719

During the six months ended 30 June 2022, 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 2 and level 3 instruments for the six months ended 30 June 2022:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Opening balance	145,719	118,552
Additions — FVOCI	—	17,696
Additions — FVPL	—	10,000
Disposals — FVPL	(8,000)	—
Fair value changes — loss to profit or loss	(14,282)	(15,122)
Fair value changes — gain to comprehensive income	—	14,593
Closing balance	123,437	145,719

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount as at the balance sheet date:

- Trade receivables
- Other receivables and deposits
- Cash and bank balances
- Trade and bill payables
- Other payables
- Borrowings
- Lease liabilities

6. SEGMENT INFORMATION

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

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. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2022 is as follows:

	Unaudited				Group RMB'000
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	
Revenue — recognised at a point in time					
Sales to external customers	356,264	121,090	38,173	16,002	531,529
Cost of goods sold	(250,030)	(91,245)	(28,310)	(18,309)	(387,894)
Results of reportable segments	106,234	29,845	9,863	(2,307)	143,635

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

Results of reportable segments	143,635
Distribution and selling expenses	(70,388)
Administrative expenses	(58,939)
Reversal of impairment losses on financial assets	47
Other income and other losses — net	(1,267)
Finance income — net	3,157
Share of net loss of investments accounted for using the equity method	(587)
Profit before income tax	15,658
Income tax expense	(11,171)
Profit for the period	4,487

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	13,657	11,567	2,719	3,748	31,691
Unallocated					268
					31,959
Capital expenditure					
Allocated	86,839	27,425	10,308	6,970	131,542
Unallocated					13
					131,555

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. SEGMENT INFORMATION *(Continued)*

The segment information for the six months ended 30 June 2021 is as follows:

	Unaudited				
	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	314,601	108,542	43,438	39,039	505,620
Cost of goods sold	(221,552)	(80,297)	(29,975)	(44,022)	(375,846)
Results of reportable segments	93,049	28,245	13,463	(4,983)	129,774

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

Results of reportable segments	129,774
Distribution and selling expenses	(79,998)
Administrative expenses	(63,446)
Reversal of impairment losses on financial assets	1,186
Other income and other gains — net	12,757
Finance income — net	1,961
Share of net gain of investments accounted for using the equity method	1,766
Profit before income tax	4,000
Income tax expense	(12,653)
Loss for the period	(8,653)

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	10,896	4,474	2,384	2,932	20,686
Unallocated					555
					21,241
Capital expenditure					
Allocated	24,997	71,732	5,046	1,962	103,737
Unallocated					61,058
					164,795

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

Major customer

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

7. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Raw materials and consumables used	251,443	244,373
Changes in inventories of work-in-progress and finished goods	27,496	40,820
Employee benefit expense, including directors' emoluments	110,730	104,312
Utilities and various office expenses	38,489	35,043
Transportation and packaging expenses	29,751	35,070
Depreciation of property, plant and equipment (note 13)	30,534	19,776
Travelling expenses	8,330	9,381
Marketing and advertising expenses	1,500	6,065
Repair and maintenance expenses	2,306	4,470
Rental expenses for leases of properties (note 14)	1,360	2,820
Amortisation of right-of-use assets (note 14)	1,214	1,237
Auditor's remuneration	500	450
Amortisation of intangible assets (note 13)	211	228
Provision/(reversal of provision) for decline in value of inventories	1,634	(2,757)
Others	11,723	18,002
Total cost of sales, distribution and selling expenses and administrative expenses	517,221	519,290

8. OTHER INCOME AND OTHER (LOSSES)/GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants	10,434	10,737
Gains/(losses) on disposal of property, plant and equipment — net	374	(423)
Net fair value (losses)/gains on financial assets at fair value through profit or loss (note 5.3)	(14,282)	1,937
Exchange gains/(losses) from operating activities — net	50	(26)
Others	2,157	532
	(1,267)	12,757

Governments grants received during the period 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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	5,566	5,869
Exchange gains	195	—
	5,761	5,869
Finance costs:		
Exchange losses	—	(2,523)
Interest expense for borrowings	(1,551)	(931)
Interest expense for lease liabilities (note 14)	(146)	(116)
Other finance charges	(907)	(338)
	(2,604)	(3,908)
Finance income — net	3,157	1,961

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

10. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current income tax	3,777	363
Deferred income tax, net	7,394	12,290
Income tax expense	11,171	12,653

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 six months ended 30 June 2022 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 period 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% (2021: 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 income 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 RMB36,526,000 (31 December 2021: RMB61,028,000). As at 30 June 2022, deferred income tax liabilities of approximately RMB1,826,000 (31 December 2021: RMB3,051,000) have not been recognised for the withholding income tax that would be payable on the unremitted earnings of certain subsidiaries of the Group in the PRC.

11. EARNINGS/(LOSS) PER SHARE**(a) Basic**

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit/(loss) attributable to shareholders of the Company (RMB'000)	4,626	(8,653)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	755,096,557	755,096,557
Basic earnings/(loss) per share	RMB0.006	RMB(0.011)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company's share options are dilutive potential ordinary shares. The diluted earnings/(loss) per share are the same as the basic earnings/(loss) per share for the six months ended 30 June 2022 and 2021 as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

12. DIVIDENDS

At a meeting of the Board of Directors held on 16 August 2022, the Directors resolved not to declare an interim dividend to shareholders for the six months ended 30 June 2022 (2021: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

13. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION-IN-PROGRESS AND INTANGIBLE ASSETS

	Unaudited		
	Property, plant and equipment RMB'000	Construction-in- progress RMB'000	Intangible assets RMB'000
At 1 January 2022	709,859	230,530	2,610
Additions	19,763	111,788	4
Transfers	70,936	(70,936)	—
Disposals	(142)	—	—
Depreciation/amortisation	(30,534)	—	(211)
At 30 June 2022	769,882	271,382	2,403
At 1 January 2021	402,413	231,452	2,502
Additions	50,977	113,303	441
Transfers	35,969	(35,969)	—
Disposals	(1,090)	—	—
Depreciation/amortisation	(19,776)	—	(228)
At 30 June 2021	468,493	308,786	2,715

As at 30 June 2022, certain land use rights (note 14) and buildings of the Group, with a total net book value of RMB21,499,000 (31 December 2021: RMB80,371,000), were pledged as security for borrowings of the Group amounting to RMB39,800,000 (31 December 2021: RMB79,800,000) as disclosed in note 20.

14. LEASES**(i) Amounts recognised in the consolidated balance sheet**

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Right-of-use assets		
Buildings	5,180	5,484
Land use rights	75,673	76,583
	80,853	82,067
Lease liabilities		
Buildings		
— Current	—	—
— Non-current	6,619	6,473
	6,619	6,473

As at 30 June 2022, certain land lots of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China, with carrying amount of approximately RMB6,193,000 (31 December 2021: RMB6,266,000), were still in the process of applying for the ownership certificates.

(ii) Amounts recognised in the consolidated income statement

	Unaudited Six months ended 30 June					
	2022 Buildings	Land use rights	Total	2021 Buildings	Land use rights	Total
Amortisation charges						
Cost of goods sold	90	—	90	—	—	—
Administrative expenses	214	910	1,124	305	932	1,237
	304	910	1,214	305	932	1,237
Interest expense			146			116
Expenses relating to short-term leases of buildings (Note 7)			1,360			2,820
Total charges to income statement			2,720			4,173

The total cash outflow for leases during the period, not considering the receipt of government grant, was RMB1,360,000 (2021: RMB3,574,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. TRADE RECEIVABLES

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade receivables	9,063	5,200
Less: provision for impairment	—	(47)
Trade receivables, net	9,063	5,153

The credit period of the Group's trade receivables ranges from 30 to 90 days. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2021 and 30 June 2022 was as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Within 30 days	9,063	5,153
Over 365 days	—	47
	9,063	5,200

There is no 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 are due for settlement within one year, the carrying value of the trade receivables approximated their fair values as at the balance sheet date.

16. CASH AND BANK BALANCES

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Cash and cash equivalents	311,001	391,190
Restricted bank deposits — current	20,254	22,118
Term deposits — current	—	26,363
Total	331,255	439,671

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 bank overdraft of the Group (note 20).

The term deposits — current have original maturities over three months at inception as at 31 December 2021.

17. SHARE CAPITAL

	Unaudited			
	2022 Shares	2022 RMB'000	2021 Shares	2021 RMB'000
As at 1 January and 30 June	755,096,557	6,433	755,096,557	6,433

18. 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 at an exercise price of HK\$2.56 per share 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 at an exercise price of HK\$2.31 per share 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 at the exercise price of HK\$2.19 per share 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.

Movements in the number of Options granted are as follows:

	Options granted on 6 June 2017 Number of options	Options granted on 16 August 2018 Number of options	Options granted on 23 August 2021 Number of options	Total Number of options
At 1 January 2022	4,210,000	5,740,000	12,150,000	22,100,000
Cancelled/lapsed during the period	(4,210,000)	(380,000)	(1,080,000)	(5,670,000)
At 30 June 2022	—	5,360,000	11,070,000	16,430,000
At 1 January 2021	4,900,000	6,760,000	—	11,660,000
Cancelled/lapsed during the period	(350,000)	(520,000)	—	(870,000)
At 30 June 2021	4,550,000	6,240,000	—	10,790,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

18. SHARE OPTION SCHEME (Continued)

Share options outstanding as at 30 June 2022 have the following expiry dates and exercise prices:

Grant date	Exercisable date	Expiry date	Exercise price	Number of share options 30 June 2022
16 August 2018	17 August 2020	16 August 2023	HK\$2.31	2,680,000
16 August 2018	17 August 2021	16 August 2023	HK\$2.31	2,680,000
23 August 2021	24 August 2022	23 August 2023	HK\$2.19	3,321,000
23 August 2021	24 August 2023	23 August 2024	HK\$2.19	3,321,000
23 August 2021	24 August 2024	23 August 2025	HK\$2.19	4,428,000
Total				16,430,000

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 six months ended 30 June 2022 amounted to RMB1,125,000 (six months ended 30 June 2021: RMB157,000), and the remaining unamortised fair value of share options granted of approximately RMB2,304,000 (30 June 2021: RMB120,000) will be charged to the consolidated income statement in the future.

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

	Options granted on 6 June 2017	Options granted on 16 August 2018	Options granted on 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:

- Expected volatility is estimated with reference to the historical share price of the Company and a set of comparable companies.
- Risk-free rate is determined with reference to the yield of Hong Kong Exchange Fund Notes.
- Dividend yield is estimated by reference to the historical share price and dividend paid of the Company and a set of comparable companies.

19. TRADE AND BILL PAYABLES

The ageing analysis of trade and bill payables based on invoice date is as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Within 30 days	114,607	89,185
31 — 180 days	49,522	8,957
181 — 365 days	7,852	1,690
Over 365 days	604	489
	172,585	100,321

The carrying amounts of trade and bill payables approximate their fair values as at the balance sheet date due to short-term maturity.

20. BORROWINGS

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Current		
Short-term bank loans — unsecured	10,000	8,000
Short-term bank loans — secured	39,800	79,800
Bank overdraft, secured	—	9,564
Total borrowings	49,800	97,364

The secured short term bank loans of the Group as at 30 June 2022 and 31 December 2021 were secured by the Group's land use rights (note 14) and buildings (note 13).

The bank overdraft of the Group as at 31 December 2021 were secured by restricted bank deposits of the Group (note 16).

For the six months ended 30 June 2022, the weighted average effective interest rates on borrowings were 3.16% (year ended 31 December 2021: 2.99%) per annum.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. BORROWINGS (Continued)

During the six months ended 30 June 2022, movements in borrowings are analysed as follows:

	Unaudited	
	2022	2021
	RMB'000	RMB'000
As at 1 January	97,364	70,199
Proceeds from borrowings	39,800	69,800
Repayment of borrowings	(87,364)	(52,199)
As at 30 June	49,800	87,800

21. COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had the following commitments:

(a) Capital commitments

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for in respect of:		
Machinery and equipment	63,904	59,421
Buildings and land use rights	143,811	156,519
	207,715	215,940

(b) Other commitments

As at 30 June 2022 and 31 December 2021, the Group had future aggregate minimum lease payments under non-cancellable short-term leases of buildings and other non-cancellable contracts as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Not later than 1 year	2,354	2,033
Later than 1 year and not later than 5 years	1,641	1,641
	3,995	3,674

22. RELATED PARTY TRANSACTIONS

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 operation 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 periods.

(a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Leases of offices		
— Lianjie Sports Investments Limited ("Lianjie Sports")	198	200
— Lianjie Investments Group Limited ("Lianjie Investments")	762	1,241
	960	1,441

Lianjie Sports is a company wholly owned by Mr Hui Ching Lau ("Mr. Hui"), the Company's controlling shareholder and Chairman.

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

(b) Key management compensation

For the six months ended 30 June 2022, the key management comprised the directors (excluding independent non-executive directors) and certain senior management, and their compensation amounted to approximately RMB2,130,000 (2021: RMB2,163,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY ENVIRONMENT

In the first half of 2022, due to the impact of “COVID-19” epidemic, many cities in China implemented lockdown measures, it restricted the travel of consumers or reduced their willingness to travel, which affected their desire to spend. In addition, under the continuous impact of the epidemic, global economy and other geopolitical issues on the global supply chain, operating costs including raw material prices and labor costs continued to rise, which had a certain impact on the Group’s business operations. Despite the ever-changing operating environment, the Group will continue to make timely response and implement immediate strategies with the goal of maintaining revenue growth and controlling the impact of rising costs, in order to reduce operating risks and enhance profit growth.

With the improvement of consumers’ health concept and 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. Coupled with factors such as the increasing imported food competitions, rising raw material prices and labor costs, snack food companies have to compete with both domestic and foreign industry 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 the first half of 2022, the Group’s total revenue was approximately RMB531.5 million (first half of 2021: RMB505.6 million), representing an increase of 5.1% over the same period of last year. The increase in revenue was mainly due to the Group has strengthened the management of distribution channels and retail terminals during the period, resulting in an increase in overall sales. During the period, the Group also increased product prices, continued to adjust product mix and sales strategies, and focused on development of new product with higher profit margin to enrich the product portfolio which increase overall product sales and profit margin.

In the first half of 2022, the Group’s gross profit and gross profit margin both increased. Gross profit for the period was approximately RMB143.6 million (first half of 2021: RMB129.8 million), representing an increase of approximately 10.7% over the same period of last year; gross profit margin was 27.0% (first half of 2021: 25.7%), representing an increase of approximately 1.3 percentage points over the same period of last year. In addition, in the first half of 2022, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB4.6 million, as compared to the consolidated net loss of approximately RMB8.7 million for the same period in 2021.

The increase in revenue, gross profit, gross profit margin and net profit of the Group for the period was mainly attributable to the following factors:

- (i) the Group strengthened the management of distribution channels and retail terminals during the period, resulting in an increase in overall sales. The Group also increased product prices in the period to offset the impact of increased costs, which resulted in the increase in and both gross profit and gross profit margin during the period;

- (ii) the Group reduced the sale of low-margin products through e-commerce channels during the period, and related selling and administrative expenses also decreased accordingly, resulting in an increase in overall profit; and
- (iii) the Group recorded a net loss of approximately RMB14.3 million during the period (six months ended 30 June 2021: net gain of approximately RMB1.9 million) 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. This has partly offset the increase in profit mentioned above.

Jelly products

Sales of jelly products in the first half of 2022 were approximately RMB356.3 million (first half of 2021: RMB314.6 million), representing an increase of approximately 13.2% over the same period of last year, and accounting for 67.0% (first half of 2021: 62.2%) of total revenue of the Group. Gross profit was approximately RMB106.2 million (first half of 2021: RMB93.0 million), representing an increase of approximately 14.2% over the same period of last year. Gross profit margin was approximately 29.8% (first half of 2021: 29.6%), representing an increase of approximately 0.2 percentage points over the same period of last year.



In the first half of 2022, the increase in revenue, gross profit and gross profit margin of jelly products were mainly attributable to the Group's enhanced management of distribution channels and retail terminals during the period, resulting in an increase in overall sales. In addition, the Group raised product prices in the fourth quarter last year, and continued to optimize its product mix and sales strategies, launching new products with higher gross profit, including 「布丁小方凍」, 「初雪微融冰淇淋布丁」, 「AD鈣椰粒棒／鈣粒棒」 and 「冰糖草莓／香橙果凍」, which successfully offset the impact of increased production costs.



Crackers and Chips

Sales of crackers and chips in the first half of 2022 were approximately RMB121.1 million (first half of 2021: RMB108.5 million), representing an increase of approximately 11.6% over the same period of last year, and accounting for 22.8% (first half of 2021: 21.5%) of total revenue of the Group. Gross profit was approximately RMB29.8 million (first half of 2021: RMB28.2 million), representing an increase of approximately 5.7% over the same period of last year. Gross profit margin was approximately 24.6% (first half of 2021: 26.0%), representing a decrease of approximately 1.4 percentage points over the same period of last year.



The sales of crackers and chips maintained a steady growth in the first half of 2022, mainly because the Group strengthened the management of distribution channels and retail terminals during the period, and continued to develop markets in southern China where the sales were relatively weak and new markets in the southwest and northwest, resulting in an increase in overall sales. Furthermore, the Group raised product prices in the fourth quarter last year, continued to optimize its product mix and sales strategies, and focused on the continual expansion and launch of new product series such as 「薯片」 and 「親親圈」, thereby leading to a growth in sales and gross profit during the period.

The decrease in gross profit margin for the period was mainly due to the increase in production costs (including raw materials and labor costs) and the inability of new production bases' facilities and equipment to attain economies of scale. Even though the Group raised prices on products in the fourth quarter of last year, the price rise could not fully offset the impact of increased production costs.

Seasoning Products

Sales of seasoning products in the first half of 2022 were approximately RMB38.2 million (first half of 2021: RMB43.4 million), representing a decrease of approximately 12.1% over the same period of last year, and accounting for 7.2% (first half of 2021: 8.6%) of total revenue of the Group. Gross profit was approximately RMB9.9 million (first half of 2021: RMB13.5 million), representing a decrease of approximately 26.7% over the same period of last year. Gross profit margin was approximately 25.8% (first half of 2021: 31.0%), representing a decrease of approximately 5.2 percentage points over the same period of last year.

In the first half of 2022, due to the impacts of the COVID-19 pandemic, various cities across the PRC implemented lockdown measures. Some restaurants were forced to shut down, resulting in a decrease in the revenue of the seasoning business. Furthermore, the costs of major raw materials for seasoning products have continued to rise since the second half of last year, leading to a decline in sales, gross profit and gross profit margin during the period.

Confectionery and Other Products

Confectionery and other products include confectionery 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 and rice wine and sesame candy products. Sales of confectionery and other products in the first half of 2022 were approximately RMB16.0 million (first half of 2021: RMB39.0 million), representing a decrease of approximately 59.0% over the same period of last year, and accounting for 3.0% (first half of 2021: 7.7%) of total revenue of the Group. Gross profit margin was approximately -14.4% (first half of 2021:-12.8%), representing a decrease of approximately 1.6 percentage points over the same period of last year.

The decrease in sales during the period was mainly attributable to the decrease in sales of new snack products under the brand of "A Snack Shop (親親物語)". These products are mainly produced by other suppliers and sold through e-commerce channels, resulting in higher selling expenses and lower gross profit margins. During the period, the Group adjusted its strategy to reduce the sales of those loss-making products in e-commerce channels and increased the proportion of self-produced products with higher gross profit, resulting in an increase in the overall gross profit margin and profit margin and a decrease in sales. Besides, the new rice wine and sesame candy products launched last year had an increase in sales during the period, but the total sales volume was still relatively low and was unable to meet the expectations. As the new production base for the rice wine and sesame candy has not yet achieved economies of scale, the production costs are relatively high, resulting in gross losses and a decline in the overall gross profit margin.

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 the first half of 2022 were approximately RMB70.4 million (first half of 2021: RMB80.0 million), representing a decrease of 12.0% over the same period of last year, and accounting for 13.2% (first half of 2021: 15.8%) of total revenue of the Group. The period-over-period decrease was mainly due to the reduction in marketing and promotional activities for the period. Besides, the Group adjusted its strategies during the period to reduce the sales of products through e-commerce channels that incurred higher selling expenses, thereby decreasing the related selling expenses accordingly.

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 the first half of 2022 were approximately RMB58.9 million (first half of 2021: RMB63.4 million), representing a decrease of 7.1% over the same period of last year, and accounting for 11.1% (first half of 2021: 12.5%) of total revenue of the Group. The period-over-period decrease was mainly attributable to the fact that some of the new production bases were still in trial production in the same period last year, and the production costs were included in administrative expenses. The production costs were then included in the cost of sales as the new production bases were officially put into operation during the period. Besides, the relocation of the production base incurred one-off expenses for relocation and severance pay in the same period last year, so the administrative expenses decreased during the period.

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 the first half of 2022, the Group had no new investment projects. These companies mainly engage in the production or sale of food, beverage and alcohol products in the PRC and abroad.

In the first half of 2022, the fair value of these investments remained unchanged (first half of 2021: the fair value gain through comprehensive income was approximately RMB10.9 million). The Group believes that the strategic investments in these companies will be beneficial to the long-term development and industrial layout of the Group.

Product Development and Upgrade

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

For jelly products, the Group launched new products with higher gross profit during the period, including 「布丁小方凍」, 「初雪微融冰淇淋布丁」, 「AD鈣椰粒棒／鈣粒棒」, 「冰糖草莓／香橙果凍」 and other products. The Group will continue to launch innovative, healthy and delicious products and keep adjusting marketing strategies for new product. The Group believes that with the continual introduction and launch of new products, it will contribute to the sustainable development and growth of the jelly product business.

For crackers and chips, the Group will continue to deepen the leading position of the prawn cracker. Through a series of measures such as improving taste, upgrading packaging and increasing flavors, the Group launched a new prawn cracker product with a low-sodium formula, so as to meet consumers' demand for healthy snacks. The new product reduces sodium by 40% based on the classic version. In addition, the Group will keep focusing on the continual expansion and launch of new product series such as 「薯片」 and 「親親圈」, increase the development and exposure of promotional activities at retail terminals, and continue to consolidate 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 will continue to strengthen the management of distribution channels and retail terminals, increase the number of retail sales points, and expand product sales in the areas surrounding the new production bases. The Group will continue to focus on promoting key products and crossover products, re-optimize key products and upgrade their packaging, so as to better support brand exposure.

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 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 e-commerce channels, 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.

To improve the overall gross profit margin and profit margin, the Group has adjusted the development strategies of its e-commerce business during the period, reducing the sales of low-margin products through e-commerce channels, increasing the proportion of the sale of self-produced products with higher gross profit. In 2022, the e-commerce business will continue to promote and sell products through online platforms and live streaming channels, and employ e-commerce as the main channel for the Group’s brand promotion and some of its new product launches. With the advantages of the Group’s production bases and supply chain, transportation and distribution costs will be reduced and the Group will aim to increase its overall revenue and profits. Besides, the Group will continue to actively cooperate with new retailers such as Alibaba, JD and Pinduoduo to develop new retail channels. On this basis, the Group believes that it will further realize growth for this business and generate profits for the Group in the future.

Production Facilities Improvement

The Group has formulated a clear development plan for its production facilities and equipment. In the past two years, the Group completed the development and construction of four new production bases located in different regions in the PRC including Xiaogan City, Hubei Province, Jining City, Shandong Province, Meishan City, Sichuan Province and Ningxia City, Gansu Province. Not only did it improve the production capacity, quality and efficiency of the Group for its long-term development, but it also reduced supply chain logistics costs and laid the foundation for further expanding the sales of products in the local surrounding areas.

The total capital expenditure of the Group in the first half of 2022 regarding building of new production bases and revamp of existing production bases projects was approximately RMB131.6 million. The major projects include the construction of the Group's new production base in Xiantao City, Hubei Province and the construction of the production base in Quanzhou City, Fujian Province, which are still under construction and are expected to be completed during the year and 2023, respectively. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

- Continued to complete the construction and transformation of our production bases and upgrade equipment to improve production facilities, production processes and product quality, to enhance environmental efficiency and move towards green production and to enhance production capacity and efficiency that will meet the long-term development of the Group.
- Refine internal management process and strengthen the integration of various software to improve efficiency, 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 30 June 2022. As at 30 June 2022, the Group had cash and bank balances of RMB331.2 million (31 December 2021: RMB439.7 million) and bank borrowings of RMB49.8 million (31 December 2021: RMB97.4 million).

As at 30 June 2022, the Group's working capital or net current assets were RMB12.9 million (31 December 2021: RMB91.7 million). The current ratio, represented by current assets divided by current liabilities, was 1.0 (31 December 2021: 1.1). The Group's total equity was RMB1,273.5 million (31 December 2021: RMB1,267.9 million), representing an increase of approximately 0.4%. The decrease in net cash position and net current assets as at 30 June 2022 was mainly attributable to the Group's capital expenditure incurred for 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 30 June 2022, pledged bank deposits of RMB20.3 million (31 December 2021: RMB22.1 million) were being used as the security for a banking facility of USD8.0 million (equivalent to RMB53.7 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 RMB27.5 million as at 30 June 2022 (31 December 2021: RMB41.8 million) in units in investment funds measured at fair value through profit or loss. During the period under review, there was a net loss of RMB14.3 million (first half of 2021: net gain of RMB1.9 million) recorded in profit or loss due to the fair value change of these investments.

As at 30 June 2022, the Group's bank borrowings denominated in RMB bore fixed interest rates ranged from 2.7% to 3.55% per annum (31 December 2021: 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. 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 30 June 2022 and in 31 December 2021, no gearing ratio was presented.

During the first half of 2022, the Group invested RMB131.6 million on capital expenditure (31 December 2021: RMB354.0 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 30 June 2022, the Group had total capital commitments (contracted but not provided for) of RMB207.7 million (31 December 2021: RMB215.9 million).

As at 30 June 2022, the Group had future aggregate minimum lease payments under non-cancellable short-term leases of buildings and other non-cancellable contracts of RMB4.0 million (31 December 2021: RMB3.7 million).

The Group had no material contingent liabilities as at 30 June 2022 and 31 December 2021.

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 period under review.

CHARGE ON ASSETS

As at 30 June 2022, certain land use rights and buildings of the Group with net book value of RMB21.5 million (31 December 2021: RMB80.4 million) were pledged for bank borrowings of RMB39.8 million (31 December 2021: RMB79.8 million). In addition, the Group had a banking facility of USD8.0 million (equivalent to RMB53.7 million) (31 December 2021: RMB51.0 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 RMB20.3 million as at 30 June 2022 (31 December 2021: RMB22.1 million).

HUMAN RESOURCES AND MANAGEMENT

As at 30 June 2022, the Group had approximately 2,600 (31 December 2021: 2,700) employees. For the period under review, total employee benefit expenses, including directors' emoluments, was approximately RMB110.7 million (first half of 2021: RMB104.3 million).

The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruits 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 period under review, the Group recorded foreign exchange gain in relation to its cash and cash equivalent in HKD and USD totaling RMB0.2 million (first half of 2021: net foreign exchange loss totaling RMB2.5 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.

INTERIM DIVIDEND

No interim dividend was declared by the Board for the six months ended 30 June 2022 (30 June 2021: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2022, 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 of Hong Kong Limited (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 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 Rules Governing the Listing of Securities on the Stock Exchange (“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	—	400,000	0.05%
Mr. Wong Wai Leung		Beneficial owner/personal interest	—	240,000	0.03%

OTHER INFORMATION

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 44.
2. The percentages expressed are based on the total number of issued Shares of 755,096,557 as at 30 June 2022.
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 30 June 2022, had 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.

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

As at 30 June 2022, 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:

- The percentages expressed are based on the total number of issued Shares of 755,096,557 as at 30 June 2022.
- 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.
- 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.
- 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. The table below sets out movements in the share options granted under the Scheme during the six months ended 30 June 2022:

Eligible person	Number of share options				Balance as at 30/6/2022	Exercise price per share HK\$	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)
	Balance as at 1/1/2022	Granted during the period	Exercised during the period	Cancelled or lapsed during the period				
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
Other employees								
1,985,000	—	—	(1,985,000)	—	2.56	06/06/2017	07/06/2019-06/06/2022	
1,985,000	—	—	(1,985,000)	—	2.56	06/06/2017	07/06/2020-06/06/2022	
2,760,000	—	—	(190,000)	2,570,000	2.31	16/08/2018	17/08/2020-16/08/2023	
2,760,000	—	—	(190,000)	2,570,000	2.31	16/08/2018	17/08/2021-16/08/2023	
3,519,000	—	—	(324,000)	3,195,000	2.19	23/08/2021	24/08/2022-23/08/2023	
3,519,000	—	—	(324,000)	3,195,000	2.19	23/08/2021	24/08/2023-23/08/2024	
4,692,000	—	—	(432,000)	4,260,000	2.19	23/08/2021	24/08/2024-23/08/2025	
22,100,000	—	—	(5,670,000)	16,430,000				

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.

According to the Binomial Model, the fair value of the option granted, which had been charged to the consolidated income statement for the six months ended 30 June 2022, amounted to approximately RMB1,125,000 and the remaining unamortised fair value of approximately RMB2,304,000 will be charged to the consolidated income statement in future. The calculation of fair value of the share options granted and the basis and assumption used for such calculation are set out in note 18 to this report.

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.

CORPORATE GOVERNANCE CODE

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

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

In the opinion of the directors of the Company, the Company has complied with all code provisions as set out in the CG Code throughout the six months ended 30 June 2022.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code, all directors have confirmed that they complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2022.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Save for information disclosed elsewhere in this report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

RAISING OF FUNDS AND USE OF PROCEEDS

The Company did not have any unutilised proceeds from fund raising activities brought forward from previous financial years and did not have any fund raising activity during the six months ended 30 June 2022 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, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2022.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises four independent non-executive directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022 as well as this report and has recommended their adoption to the Board.

In addition, the Company's auditor, Baker Tilly Hong Kong Limited has also conducted a review of the aforesaid unaudited interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

ACKNOWLEDGEMENT

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

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

Hong Kong, 16 August 2022

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