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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1583)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Financial Highlights

KEY FINANCIAL PERFORMANCE AND RATIOS

For the year ended 31 December	**2023** *(RMB'000)*	2022 *(RMB'000)*	**Changes**
Revenue	**981,574**	957,569	**2.5%**
Gross profit	**258,859**	247,317	**4.7%**
Gross profit margin	**26.4%**	25.8%	**0.6% points**
EBITDA [(1)]	**91,861**	76,861	**19.5%**
Loss attributable to equity shareholders of the Company	**(2,002)**	(1,387)	**-44.3%**
Loss per share			
– Basic	**RMB(0.003)**	RMB(0.002)	
– Diluted	**RMB(0.003)**	RMB(0.002)	

As at 31 December	**2023** *(RMB'000)*	2022 *(RMB'000)*	**Changes**
Total assets	**1,964,073**	2,056,733	**-4.5%**
Net cash position[(2)]	**228,442**	274,115	**-16.7%**
Net current assets	**153,485**	91,240	**68.2%**
Total equity attributable to equity shareholders of the Company	**1,201,338**	1,234,135	**-2.7%**
Return on equity[(3)]	**-0.2%**	-0.1%	**-0.1% points**
Net asset per share	**RMB1.6**	RMB1.6	
Finished goods turnover days[(4)]	**16 days**	19 days	
Trade receivables turnover days[(5)]	**2 days**	2 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, loss on deemed disposal of an associate or share of net losses of associates and net fair value changes on financial assets at fair value through profit or loss.

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

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

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

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

RESULTS

The Board of Directors of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**981,574**	957,569
Cost of goods sold	*4*	**(722,715)**	(710,252)
Gross profit		**258,859**	247,317
Distribution cost and selling expenses	*4*	**(123,255)**	(139,556)
Administrative expenses	*4*	**(137,227)**	(122,690)
Net impairment reversal on financial assets		**–**	47
Other income and other (losses)/gains – net	*5*	**(1,142)**	16,885
Operating (loss)/profit		**(2,765)**	2,003
Finance income	*6*	**16,145**	10,864
Finance costs	*6*	**(9,859)**	(3,921)
Finance income – net		**6,286**	6,943
Share of net losses of associates		**(769)**	(1,115)
Profit before income tax		**2,752**	7,831
Income tax expense	*7*	**(4,808)**	(9,599)
Loss for the year		**(2,056)**	(1,768)
Loss for the year attributable to:			
Equity shareholders of the Company		**(2,002)**	(1,387)
Non-controlling interests		**(54)**	(381)
		(2,056)	(1,768)
Loss per share	*8*		
– Basic loss per share (expressed in RMB per share)		**RMB (0.003)**	RMB (0.002)
– Diluted loss per share (expressed in RMB per share)		**RMB (0.003)**	RMB (0.002)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(2,056)**	(1,768)
Other comprehensive loss		
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(1)**	(6)
Item that may not be reclassified to profit or loss		
Fair value losses on financial assets at fair value through other comprehensive income, net of tax	**(31,421)**	(33,580)
Other comprehensive loss for the year, net of tax	**(31,422)**	(33,586)
Total comprehensive loss for the year	**(33,478)**	(35,354)
Total comprehensive loss for the year is attributable to:		
Equity shareholders of the Company	**(33,424)**	(34,973)
Non-controlling interests	**(54)**	(381)
	(33,478)	(35,354)

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**1,035,126**	827,076
Construction-in-progress		**99,586**	321,734
Right-of-use assets	*10*	**77,323**	79,640
Intangible assets		**1,794**	2,192
Prepayments for non-current assets		**7,856**	13,655
Deferred income tax assets		**20,355**	9,264
Investments in associates	*11*	**10,403**	35,917
Financial assets at fair value through other comprehensive income	*12*	**23,561**	49,155
		1,276,004	1,338,633
Current assets			
Inventories		**136,948**	150,122
Trade receivables	*13*	**6,216**	3,088
Other receivables, prepayments and deposits		**22,169**	28,310
Financial assets at fair value through profit or loss	*14*	**2,000**	34,448
Cash and bank balances		**520,736**	502,132
		688,069	718,100
Total assets		**1,964,073**	2,056,733
Equity			
Share capital		**6,433**	6,433
Other reserves		**698,508**	725,715
Retained earnings		**496,397**	501,987
Capital and reserves attributable to equity shareholders of the Company		**1,201,338**	1,234,135
Non-controlling interests		**–**	563
Total equity		**1,201,338**	1,234,698

CONSOLIDATED BALANCE SHEET *(Continued)*

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*16*	**213,828**	181,817
Lease liabilities	*10*	**7,169**	6,765
Deferred income tax liabilities		**7,154**	6,593
		228,151	195,175
Current liabilities			
Trade payables	*15*	**125,859**	154,020
Other payables and accrued charges		**243,485**	300,784
Contract liabilities		**83,366**	123,703
Current income tax liabilities		**3,408**	2,153
Borrowings	*16*	**78,466**	46,200
		534,584	626,860
Total liabilities		**762,735**	822,035
Total equity and liabilities		**1,964,073**	2,056,733

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.

The ultimate holding company of the Company is Sure Wonder Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Hui Ching Lau. The ultimate controlling party of the Group is Mr. Hui Ching Lau.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by 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 measured at fair value.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(1) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts

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

(2) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "**Government**") gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(3) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to standards relevant to the Group have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:

Standards		**Effective for annual periods beginning on or after**
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current#	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants#	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Both amendments are to be applied as a package.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

3. REVENUE AND SEGMENT INFORMATION

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

	Year ended 31 December 2023				
	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	**567,185**	**274,205**	**78,859**	**61,325**	**981,574**
Cost of goods sold	**(411,338)**	**(204,321)**	**(53,876)**	**(53,180)**	**(722,715)**
Results of reportable segments	**155,847**	**69,884**	**24,983**	**8,145**	**258,859**

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

Results of reportable segments					**258,859**
Distribution cost and selling expenses					**(123,255)**
Administrative expenses					**(137,227)**
Other income and other losses – net					**(1,142)**
Finance income					**16,145**
Finance costs					**(9,859)**
Share of net losses of associates					**(769)**
Profit before income tax					**2,752**
Income tax expense					**(4,808)**
Loss for the year					**(2,056)**
Other segment information is as follows:					
Depreciation and amortisation charges					
Allocated	**36,160**	**27,730**	**6,499**	**7,952**	**78,341**
Unallocated					**124**
					78,465
Capital expenditures					
Allocated	**51,312**	**4,008**	**3,387**	**4,480**	**63,187**
Unallocated					**–**
					63,187

3. REVENUE AND SEGMENT INFORMATION *(continued)*

	Year ended 31 December 2022				
	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	564,838	265,060	73,635	54,036	957,569
Cost of goods sold	(407,209)	(198,491)	(54,617)	(49,935)	(710,252)
Results of reportable segments	157,629	66,569	19,018	4,101	247,317

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

Results of reportable segments	247,317
Distribution cost and selling expenses	(139,556)
Administrative expenses	(122,690)
Net impairment reversal on financial assets	47
Other income and other gains – net	16,885
Finance income	10,864
Finance costs	(3,921)
Share of net losses of associates	(1,115)
Profit before income tax	7,831
Income tax expense	(9,599)
Loss for the year	(1,768)

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Other segment information is as follows:					
Depreciation and amortisation charges					
Allocated	26,175	26,550	5,459	7,576	65,760
Unallocated					741
					66,501
Capital expenditures					
Allocated	202,466	34,868	26,288	10,980	274,602
Unallocated					44
					274,646

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

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

Major customers

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

4. EXPENSES BY NATURE

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

	2023	2022
	RMB'000	*RMB'000*
Raw materials and consumables used	**495,477**	494,342
Changes in inventories of work-in-progress and finished goods	**5,553**	498
Employee benefit expense, including directors' emoluments	**208,977**	214,029
Utilities and various office expenses	**86,367**	80,843
Transportation and packaging expenses	**52,864**	55,533
Depreciation of property, plant and equipment	**75,609**	63,651
Travelling expenses	**19,626**	16,966
Marketing and advertising expenses	**4,593**	3,581
Research and development expenses	**5,908**	5,752
(Reversal of)/provision for decline in value of inventories	**(2,475)**	2,570
Short-term lease expenses *(note 10)*	**1,184**	2,465
Amortisation of right-of-use assets *(note 10)*	**2,461**	2,427
Auditor's remuneration	**1,200**	1,200
Amortisation of intangible assets	**395**	423
Others	**25,458**	28,218
Total cost of sales, distribution cost and selling expenses and administrative expenses	**983,197**	972,498

5. OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

	2023	2022
	RMB'000	*RMB'000*
Government grants	**9,046**	19,604
Net fair value losses on financial assets at fair value through profit or loss	**(7,788)**	(9,372)
Compensation payment from suppliers	**1,032**	2,288
Loss on deemed disposal of an associate	**(8,616)**	–
Penalty income	**704**	813
Gains on write-off of payables	**739**	1,116
Gains/(losses) on disposal of property, plant and equipment – net	**1,116**	(1,316)
Operating lease income	**3,875**	4,331
Others	**(1,250)**	(579)
	(1,142)	16,885

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

6. FINANCE INCOME AND FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Finance income:		
Exchange gains	**1,238**	247
Interest income from bank deposits	**14,907**	10,617
	16,145	10,864
Finance costs:		
Interest expense for borrowings	**(9,356)**	(2,614)
Interest expense for lease liabilities	**(260)**	(292)
Other finance charges	**(243)**	(1,015)
	(9,859)	(3,921)
Finance income – net	**6,286**	6,943

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023	2022
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax ("**EIT**")	**2,882**	4,410
Deferred income tax, net	**1,926**	5,189
Income tax expense	**4,808**	9,599

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory income tax rate of the Company and its PRC subsidiaries is 25% for both years.

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

The profits of PRC 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 is liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB49,176,000 (2022: RMB46,857,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As at 31 December 2023, deferred income tax liabilities of approximately RMB2,459,000 (2022: RMB2,343,000) have not been recognised for the withholding tax that would be payable on such unremitted earnings of those PRC subsidiaries.

8. LOSS PER SHARE

(a) Basic

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

	2023	2022
Loss attributable to equity shareholders of the Company *(RMB'000)*	**(2,002)**	(1,387)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**755,096,557**	755,096,557
Basic loss per share	**RMB(0.003)**	RMB(0.002)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the years ended 31 December 2023 and 2022, as the share options had no dilutive effect on ordinary shares for the year because the exercise price of the Company's share options was higher than the average market price of the Company's shares in the year.

9. DIVIDENDS

At a meeting of the Board of Directors held on 15 March 2024, the Board of Directors did not recommend any payment of dividend to shareholders for the year ended 31 December 2023 (2022: Nil).

10. LEASES (INCLUDING LAND USE RIGHTS)

Right-of-use assets and lease liabilities as at year end:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**4,363**	4,875
Land use rights	**72,960**	74,765
	77,323	79,640
Lease liabilities		
Buildings		
– Non-current	**7,169**	6,765

	2023	2022
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within a period of more than one year but not exceeding two years	**483**	–
Within a period of more than two years but not exceeding five years	**2,556**	1,779
Within a period of more than five years	**4,130**	4,986
	7,169	6,765

Movements in right-of-use assets during the year are analysed as follows:

	Buildings	**Land use rights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	5,484	76,583	82,067
Amortisation charges *(note 4)*	(609)	(1,818)	(2,427)
At 31 December 2022 and 1 January 2023	4,875	74,765	79,640
Modification of incremental borrowing rate	144	–	144
Amortisation charges *(note 4)*	(656)	(1,805)	(2,461)
At 31 December 2023	4,363	72,960	77,323

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

As at 31 December 2023, certain land use rights of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, the PRC, with carrying amount of approximately RMB6,040,000 (2022: RMB6,118,000) were still in the process of applying for the ownership certificates.

The total cash outflow for leases in 2023, not considering the receipt of government grant, was RMB1,184,000 (2022: RMB2,465,000).

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 below.

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.

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.

11. INVESTMENTS IN ASSOCIATES

	2023	2022
	RMB'000	*RMB'000*
At 1 January	**35,917**	37,032
Loss on deemed disposal of an associate	**(8,616)**	–
Share of results	**(769)**	(1,115)
Transfer to financial assets at FVOCI *(note 12)*	**(16,129)**	–
At 31 December	**10,403**	35,917

In July 2021, the Group invested RMB25,000,000 in Huajia Food Technology (Shanghai) Co., Ltd. ("**Huajia Food**") for a 16.13% equity interest with one board seat in 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.

Prior to 18 December 2023, the Group considered that it had the practical ability to exercise significant influence on Huajia Food even though it owned less than 20% of the ownership interest and voting control taking into account i) the Group's ownership interest was significant relative to other shareholders due to the wide dispersion of shareholding interests; ii) the representation or right to appoint/nominate 1 director out of 6 board seats on the board of directors of Huajia Food; and iii) the requirement for unanimous approval by the board of directors of Huajia Food for policy-making decisions, including dividends and other distribution.

11. INVESTMENTS IN ASSOCIATES *(Continued)*

On 18 December 2023, the Group entered into a supplementary agreement with Huajia Food and other shareholders of Huajia Food to amend the scope of authority of the board of directors of Huajia Food, pursuant to which all material operational and financial policies and decisions of Huajia Food require approval from two-third, instead of the whole, of the board of directors of Huajia Food. As such, the Group considered that it ceased to have significant influence over Huajia Food effective from 18 December 2023 as the Group only had the representation or right to appoint/nominate 1 director out of 6 board seats on the board of directors of Huajia Food and since then the Group's investment in Huajia Food has been accounted for as unlisted equity investment at fair value through other comprehensive income (see Note 12). On loss of significant influence over Huajia Food, the Group made an irrevocable election to account for the interest in the entity as financial assets at FVOCI. The directors estimated the fair value of the Group's interest in Huajia Food on the date of transfer to financial assets at FVOCI, and a loss on deemed disposal of the associate of RMB8,616,000, being the difference between the carrying amount of entity and its fair value on that date, was recognised in profit or loss.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	RMB'000	*RMB'000*
Unlisted equity investments		
At 1 January	**49,155**	93,899
Transfer from investments in associates *(note 11)*	**16,129**	–
Fair value changes	**(41,723)**	(44,744)
At 31 December	**23,561**	49,155

As at 31 December 2023, the Group held equity investments in a number of consumer products companies and foodstuff and beverage manufacturing companies.

As at 31 December 2023 and 2022, the Group intended to invest in these unlisted equity investments for long-term purposes and did not expect any immediate disposal of these unlisted equity investments in the short term. Accordingly, these unlisted equity investments are classified as non-current assets and designated at FVOCI.

13. TRADE RECEIVABLES

The credit period ranges from 30 to 90 days (2022: 30 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2023 was as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**4,505**	1,212
31 – 180 days	**1,526**	1,876
181 – 365 days	**185**	–
	6,216	3,088

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Unlisted investment fund units	**–**	32,448
Unlisted equity investment	**2,000**	2,000
	2,000	34,448

15. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date as at 31 December 2023 was as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**125,747**	133,889
31 – 180 days	**50**	10,107
181 – 365 days	**24**	3,484
Over 365 days	**38**	6,540
	125,859	154,020

16. BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Current		
Bank loans – unsecured	**40,800**	11,000
Bank loans – secured	**37,666**	35,200
	78,466	46,200
Non-current		
Bank loans – unsecured	**16,500**	39,717
Bank loans – secured	**197,328**	142,100
	213,828	181,817
Total borrowings	**292,294**	228,017

The secured borrowings of the Group as at 31 December 2023 and 2022 were secured by the Group's land use rights, buildings and restricted bank deposits.

For the year ended 31 December 2023, the weighted average effective interest rates on borrowings were 3.03% (2022: 2.94%).

The carrying amounts of borrowings are denominated in RMB.

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

16. BORROWINGS *(Continued)*

The maturity analysis of borrowings is as follows:

	2023	2022
	RMB'000	*RMB'000*
The carrying amounts of the above borrowings are repayable:		
– Within one year	**78,466**	46,200
– Within a period of more than one year but not exceeding two years	**46,266**	59,850
– Within a period of more than two years but not exceeding five years	**134,042**	100,258
– Within a period of more than five years	**33,520**	21,709
	292,294	228,017
Less: Amounts due within one year shown under current liabilities	**(78,466)**	(46,200)
Amounts shown under non-current liabilities	**213,828**	181,817

The exposure of borrowings is as follows:

	2023	2022
	RMB'000	*RMB'000*
Fixed-rate borrowings	**38,800**	41,800
Variable-rate borrowings	**253,494**	186,217
	292,294	228,017

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

After the recovery following the COVID re-opening, there was a rebound of economic activity in the first quarter of 2023. However, it has slowed down after first quarter, led by a sequential decline in manufacturing and investment. Along with other economic uncertainties, such as real estate market downturn, weaker demand and moderating consumption, certain negative impact had been posed on the Group's business operations. Despite the ever-changing operating environment, the Group continues to make timely response and implement immediate strategies with the goal of maintaining revenue growth and ameliorating 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 towards pursuing good value-for-money 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

For the year ended 31 December 2023 (the "**Reporting Period**"), the Group's total revenue was approximately RMB981.6 million (2022: RMB957.6 million), representing an increase of approximately RMB24.0 million or 2.5% year-on-year. During the Reporting Period, all major product segments of the Group have recorded an increase in sales revenue. The increase in revenue was mainly due to the continuous expansion of distribution channels and the overall sales has increased during the Reporting Period. The selling prices of the Group's products were also adjusted upwards when compared to the same period last year, resulting in an increase in sales amount. The Group 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 increased overall product sales and profit margin.

For the Reporting Period, the Group's gross profit and gross profit margin both increased. Gross profit for the Reporting Period was approximately RMB258.9 million (2022: RMB247.3 million), representing an increase of approximately RMB11.6 million or 4.7% year-on-year; gross profit margin was 26.4% (2022: 25.8%), representing an increase of approximately 0.6 percentage points year-on-year. During the Reporting Period, the Group recorded a consolidated net loss attributable to the shareholders of the Company of approximately RMB2.0 million, as compared to the consolidated net loss attributable to the shareholders of the Company of approximately RMB1.4 million for the year ended 31 December 2022, representing an increase of net loss of approximately RMB0.6 million year-on-year.

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

(i) the overall sales of the Group's products increased during the Reporting Period, which was due to the Group's continuous expansion of distribution channels and the increase in sales in new snack food chains. In addition, several new production bases of the Group have increased the overall production capacity, thereby facilitated the development and growth of product sales in local surrounding areas nearby the new production bases. During the Reporting Period, the selling prices of the Group's products were adjusted upwards when compared to the same period last year, and the cost of raw materials decreased slightly, resulting in an increase in gross profit and gross profit margin of approximately RMB11.6 million and 0.6 percentage points respectively for the Reporting Period when compared to 2022;

(ii) the Group recorded a loss on deemed disposal of an associate of approximately RMB8.6 million in FY2023 (FY2022: Nil);

(iii) the Group held unlisted investment fund units which were measured at fair value through profit or loss. During the Reporting Period, the Group disposed of such unlisted investment fund units and recorded a net loss of approximately RMB7.8 million due to changes in their fair value (2022: net loss arising from changes in fair value through profit or loss of approximately RMB9.4 million). The relevant net loss for the Reporting Period decreased by approximately RMB1.6 million as compared to 2022; and

(iv) during the Reporting Period, the amount of government grants received by the Group from various local government authorities in Mainland China decreased from RMB19.6 million in 2022 to RMB9.0 million for the Reporting Period, decreased by approximately RMB10.6 million as compared to 2022.

Jelly products

Sales of jelly products in the Reporting Period were approximately RMB567.2 million (2022: RMB564.8 million), representing an increase of approximately 0.4% year-on-year, and accounting for 57.8% (2022: 59.0%) of total revenue of the Group. Gross profit was approximately RMB155.8 million (2022: RMB157.6 million), representing a decrease of approximately 1.1% year-on-year. Gross profit margin was approximately 27.5% (2022: 27.9%), representing a decrease of approximately 0.4 percentage points year-on-year.

In the Reporting Period, the increase in revenue of jelly products were mainly attributable to the Group's continuous expansion of distribution channels and the increase in sales in new snack food chains during the Reporting Period, resulting in an increase in overall sales. There was a slight decrease in gross profit and gross profit margin mainly due to the increase in fixed production costs from new production bases. The Group raised certain product prices in the second half of 2022, continued to optimize its product mix and sales strategies, launching new products with higher gross profit, and the cost of raw materials also decreased slightly, which partly offset the decrease in gross profit and gross profit margin.

Crackers and Chips

Sales of crackers and chips in the Reporting Period were approximately RMB274.2 million (2022: RMB265.1 million), representing an increase of approximately 3.4% year-on-year, and accounting for 27.9% (2022: 27.7%) of total revenue of the Group. Gross profit was approximately RMB69.9 million (2022: RMB66.6 million), representing an increase of approximately 5.0% year-on-year. Gross profit margin was approximately 25.5% (2022: 25.1%), representing an increase of approximately 0.4 percentage points year-on-year.

The sales of crackers and chips maintained a steady growth in the Reporting Period, mainly because of the Group's continuous expansion of distribution channels during the Reporting 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 certain product prices in the second half of 2022, 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, gross profit and gross profit margin during the Reporting Period.

Seasoning Products

Sales of seasoning products in the Reporting Period were approximately RMB78.9 million (2022: RMB73.6 million), representing an increase of approximately 7.2% year-on-year, and accounting for 8.0% (2022: 7.7%) of total revenue of the Group. Gross profit was approximately RMB25.0 million (2022: RMB19.0 million), representing an increase of approximately 31.6% year-on-year. Gross profit margin was approximately 31.7% (2022: 25.8%), representing an increase of approximately 5.9 percentage points year-on-year.

In 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 decline in the revenue of the seasoning business. During the Reporting Period, the seasoning business has resumed the growth trend following the post-pandemic recovery. Sales volume has increased during the Reporting Period and the costs of major raw materials has declined as compared to the same period of last year, resulting in the increase in sales, gross profit and gross profit margin during the Reporting Period.

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 candies, 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 Reporting Period were approximately RMB61.3 million (2022: RMB54.0 million), representing an increase of approximately 13.5% year-on-year, and accounting for 6.2% (2022: 5.6%) of total revenue of the Group. Gross profit margin was approximately 13.3% (2022: 7.6%), representing an increase of approximately 5.7 percentage points year-on-year.

The increase in sales during the Reporting Period was mainly attributable to the increase in sales of new rice wine products. Since the new rice wine production bases was established and the new rice wine products have been launched, there has been a gradual increase in sales over the previous years due to the continuous effort in the promotion and distribution of products into different sales channels. There was also an improvement in gross margin for rice wine products along with the increase in sales volume and decrease in production costs due to improvement on economy of scale. The Group will continue to implement strategies and control measures to increase sales and improve the profitability of this segment.

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 Reporting Period were approximately RMB123.3 million (2022: RMB139.6 million), representing a decrease of 11.7% year-on-year, and accounting for 12.6% (2022: 14.6%) of total revenue of the Group. The period-over-period decrease in distribution and selling expenses was mainly attributable to the decrease in selling expenses in relation to the Group's strategies adjustments to reduce the sales of low-margin products through e-commerce channels as well as the decrease in distribution and transportation costs during the Reporting Period as such costs were higher in last year due to the impact of the pandemic and lockdown measures.

In addition, in order to improve the overall profitability and profit margin, the Group has implemented measures to tighten the control over expenses during the Reporting Period, these measures also included simplifying and optimizing the department structure and staff costs decreased accordingly during the Reporting Period. As a result, the distribution and selling expenses as a percentage of the total revenue of the Group has decreased accordingly during the Reporting Period.

Administrative Expenses

Administrative expenses mainly represented staff costs, depreciation of property, plant and equipment, property and land-use taxes, utilities and various office expenses and other administrative expenses. Administrative expenses in the Reporting Period were approximately RMB137.2 million (2022: RMB122.7 million), representing an increase of 11.8% year-on-year, and accounting for 14.0% (2022: 12.8%) of total revenue of the Group. The year-on-year increase was mainly attributable to the increase in depreciation of property, plant and equipment and property and land-use taxes totaling RMB9.3 million after the new production bases were in full operation.

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 synergy with the Group's business. In the Reporting Period, 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.

During the Reporting Period, there was a decrease in the fair value of the investments of the Group as the business performance of these investments were negatively affected by the persistent impact of COVID and their recovery and growth rate were slower than expected under the general weakening consumer and business sentiment. In addition, the lack of new investment funds from investors has also resulted in the lack of resources for growth of these investee companies. As a result, the Group recognised a fair value loss through other comprehensive income of RMB31.4 million (2022: RMB33.6 million).

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 and 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 will continue to develop products to improve gross profit, focus on increasing the sales of key products and 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 will continue to develop new products to meet consumers' demand for healthy snacks. In addition, the Group will keep focusing on the continual expansion of key products 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 stores 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 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 and gas stations. During the Reporting Period, there was a rise in number of snack food branded stores in PRC. The Group captured the opportunity to expand its distribution network through this new access channel to market and the Group's sales through these new snack food chains has increased to a great extent accordingly during the Reporting Period.

To improve the overall gross profit margin and net profit margin, the Group has adjusted the development strategies of its e-commerce business since last year, reducing the sales of low-margin products through e-commerce channels, and increasing the proportion of the sale of self-produced products with higher gross profit and thereby increased the profitability of the Group in the Reporting Period. 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 few years, the Group completed the development and construction of five new production bases located in different regions in the PRC including Xiantao City, Hubei Province, Xiaogan City, Hubei Province, Jining City, Shandong Province, Meishan City, Sichuan Province and Ningxia City, Gansu Province and the expansion project for the production base in Quanzhou City, Fujian Province was also completed in 2023. 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 Reporting Period regarding building of new production bases and revamp of existing production bases projects was approximately RMB63.2 million. 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 entered into certain construction contracts in relation to the construction of production bases in Jining City, Shandong Province, Xiantao City, Hubei Province and Quanzhou City, Fujian Province, which constituted as disclosable transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities of the Stock Exchange. For details, please refer to the Company's announcement dated 27 April 2022.

The Group aimed to reduce the impact of increasing labour costs by increasing the automation level of our production facilities. The Group continued to conduct "equipment transformation, production process enhancement and 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, channel expansion, 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 and good value-for-money 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 the 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 31 December 2023. As at 31 December 2023, the Group had cash and bank balances of RMB520.7 million (2022: RMB502.1 million) and bank borrowings of RMB292.3 million (2022: RMB228.0 million).

As at 31 December 2023, the Group's working capital or net current assets were RMB153.5 million (2022: RMB91.2 million). The current ratio, represented by current assets divided by current liabilities, was 1.3 (2022: 1.1). The Group's total equity was RMB1,201.3 million (2022: RMB1,234.7 million), representing a decrease of 2.7%. The decrease in net cash position from RMB274.1 million as at 31 December 2022 to RMB228.4 million as at 31 December 2023 was mainly attributable to the Group's capital expenditure incurred for construction of new production bases and the purchase of new production equipment in PRC to facilitate the Group's long term business development plan.

Cash and bank balances were mainly denominated in RMB, HKD and USD. As at 31 December 2022, pledged bank deposits of RMB15.5 million were being used as the security for a banking facility of USD8.0 million (equivalent to RMB55.7 million) granted by a bank for certain short-term credit facility arrangement. There was no such short-term credit facility arrangement utilised by the Group as at 31 December 2023.

As part of treasury management activities with respect to the Group's surplus cash assets, the Group invested in unlisted investment funds units measured at fair value through profit or loss and the fair value of which amounted to RMB32.4 million as at 31 December 2022 (2023: Nil). During the year, the Group fully redeemed such unlisted investment fund units and recorded a net loss of approximately RMB7.8 million due to changes in their fair value (2022: net loss arising from changes in fair value through profit or loss of approximately RMB9.4 million).

As at 31 December 2023, the Group's bank borrowings denominated in RMB bore interest rates ranged from 1.30% to 3.75% per annum (2022: 1.30% to 3.55% per annum) with an effective interest rate of 3.03% (2022: 2.94%). In addition, the effective interest rate of the Group's bank overdraft denominated in USD was 2.75% per annum as at 31 December 2022 (2023: the Group did not utilise any bank overdraft in 2023). 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 2023 and 31 December 2022, no gearing ratio was presented.

In 2023, the Group invested RMB63.2 million on capital expenditure (2022: RMB274.7 million). The capital expenditure was mainly incurred for construction of new production bases and the purchase of new production equipment 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 2023, the Group had total capital commitments (contracted but not provided for) of RMB39.8 million (2022: RMB240.9 million).

As at 31 December 2023, the Group had future aggregate minimum lease payments under non-cancellable short-term leases of RMB2.1 million (2022: RMB3.7 million).

The Group had no material contingent liabilities as at 31 December 2023 and 31 December 2022.

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

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

CHARGE ON ASSETS

As at 31 December 2023, certain land use rights and buildings of the Group with net book value of RMB586.0 million (2022: RMB553.6 million) were pledged for bank borrowings of RMB235.0 million (2022: RMB177.3 million).

In addition, the Group had a banking facility of USD8.0 million (equivalent to RMB55.7 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 RMB15.5 million as at 31 December 2022. There was no such short-term credit facility arrangement and pledged bank deposits as at 31 December 2023.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2023, the Group had approximately 2,500 (2022: 2,600) employees. For the year ended 31 December 2023, total employee benefit expenses, including directors' emoluments, was approximately RMB209.0 million (2022: RMB214.0 million). In order to improve the overall profitability and profit margin, the Group has implemented measures to tighten the control over expenses since last year, these measures included simplifying and optimising the department structure and staff costs decreased accordingly during the year.

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 ended 31 December 2023, the Group recorded foreign exchange gain in relation to its cash and cash equivalent totaling RMB1.2 million (2022: net foreign exchange gain totaling RMB0.2 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 2023 (2022: Nil).

OTHER INFORMATION

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 17 May 2024 (the "**2024 AGM**"), notice of which will be published on the website of the Company (www.fjqinqin.com) and the designated website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk), and despatched to shareholders of the Company accordingly.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "**Shareholders**") will be closed from Monday, 13 May 2024 to Friday, 17 May 2024 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the 2024 AGM, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2024 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 10 May 2024.

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 year ended 31 December 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

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

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2023.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules on the Stock Exchange as the code of conduct for dealing in securities of the Company by the directors of the Company (the "**Directors**"). All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023. To ensure Directors' dealings in the securities of the Company (the "**Securities**") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed Securities during the year ended 31 December 2023.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee, which comprises all four Independent Non-executive Directors of the Company, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the draft consolidated financial statements of the Group for the year ended 31 December 2023.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Company's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Baker Tilly on the preliminary announcement.

ACKNOWLEDGEMENT

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

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

Hong Kong, 15 March 2024

As of the date of this announcement, the Board comprises 11 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); four are non-executive Directors, namely 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.