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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS			
KEY FINANCIAL PERFORMANCE			
Consolidated Income and Other Comprehensive Income Statement	Unaudited		
	Six months ended 30 June		
	2018	2017	% of
	RMB'000	RMB'000	change
		<i>Restated</i>	
Revenue	447,838	460,415	-2.7%
Operating profit	11,543	32,386	-64.4%
Profit attributable to shareholders	23,888	20,052	19.1%
Earnings per share			
— Basic and diluted	RMB0.043	RMB0.042	
Consolidated Balance Sheet	Unaudited	Audited	
	30 June	31 December	
	2018	2017	% of
	RMB'000	RMB'000	change
Cash and cash equivalents	550,075	294,447	86.8%
Bank borrowing	NIL	NIL	N/A
Net current assets	501,482	308,403	62.6%
Net assets	857,388	671,383	27.7%
KEY FINANCIAL RATIOS			
	30 June	30 June	Change
	2018	2017	(% points)
		<i>Restated</i>	
Gross profit margin	29.3%	27.4%	1.9
Return on equity (annualised)	5.6%	5.8%	-0.2
Current ratio (times)	4.2	3.9	
Finished goods turnover days	8 days	15 days	
Trade receivables turnover days	4 days	5 days	

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 and other comprehensive income statement, changes in equity and cash flows of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2018, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2018, 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, PricewaterhouseCoopers, 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.

INTERIM CONDENSED CONSOLIDATED INCOME AND OTHER COMPREHENSIVE INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2018	2017
		RMB'000	<i>RMB'000</i>
			Restated <i>(Note 3(a))</i>
Revenue	6	447,838	460,415
Cost of goods sold		(316,440)	(334,139)
Gross profit		131,398	126,276
Distribution and selling expenses		(77,119)	(75,147)
Administrative expenses		(43,868)	(28,641)
Other income and other gains — net		1,132	9,898
Operating profit		11,543	32,386
Finance income		14,388	2,411
Finance costs		(129)	(5,275)
Finance income/(costs) — net		14,259	(2,864)
Profit before income tax	7	25,802	29,522
Income tax expense	8	(1,914)	(9,470)
Profit for the period		23,888	20,052
Other comprehensive income for the period		—	—
Profit and total comprehensive income for the period, all attributable to shareholders of the Company		23,888	20,052
Earnings per share for profit attributable to shareholders of the Company			
— Basic and diluted earnings per share (expressed in RMB per share)	9	RMB0.043	RMB0.042
Dividends	10	—	—

The notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2018

		Unaudited 30 June 2018 <i>RMB'000</i>	Audited 31 December 2017 <i>RMB'000</i> Restated <i>(Note 3(a))</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	275,269	292,512
Construction-in-progress	<i>11</i>	2,853	2,628
Land use rights	<i>11</i>	44,512	39,419
Intangible assets	<i>11</i>	4,094	4,321
Prepayments for non-current assets		6,689	4,565
Deferred income tax assets		22,489	19,535
		355,906	362,980
Current assets			
Inventories		80,828	101,568
Trade receivables	<i>13</i>	13,747	5,940
Other receivables, prepayments and deposits		14,628	27,928
Cash and cash equivalents	<i>14</i>	550,075	294,447
		659,278	429,883
Total assets		1,015,184	792,863

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2018

		Unaudited	Audited
		30 June	31 December
		2018	2017
	<i>Note</i>	RMB'000	RMB'000
			Restated (Note 3(a))
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		4,861	4,097
Other reserves		349,124	187,771
Retained earnings		503,403	479,515
		<hr/>	<hr/>
Total equity		857,388	671,383
		<hr/>	<hr/>
LIABILITIES			
Current liabilities			
Trade payables	16	39,130	43,674
Other payables and accrued charges		107,604	50,435
Contract liabilities		11,062	27,371
Current income tax liabilities		—	—
		<hr/>	<hr/>
Total liabilities		157,796	121,480
		<hr/>	<hr/>
Total equity and liabilities		1,015,184	792,863
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 28 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 2018

		Unaudited			
		Attributable to the Company's shareholders			
		Share capital	Other reserves	Retained earnings	Total equity
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2018		4,097	187,771	479,515	671,383
Total comprehensive income					
— Profit for the period		—	—	23,888	23,888
Transaction with equity holders					
— Issue of ordinary shares	12	764	160,275	—	161,039
Equity-settled share option arrangement	15	—	1,078	—	1,078
Balance at 30 June 2018		4,861	349,124	503,403	857,388
Balance at 1 January 2017		4,097	186,238	486,362	676,697
Total comprehensive income					
— Profit for the period		—	—	20,052	20,052
Equity-settled share option arrangement	15	—	167	—	167
Appropriation to statutory reserves		—	25	(25)	—
Balance at 30 June 2017		4,097	186,430	506,389	696,916

The notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operations	92,972	(8,631)
Income tax paid	(6,552)	(9,048)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	86,420	(17,679)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment, including additions of construction-in-progress	(9,970)	(6,150)
Purchase of intangible assets	(164)	—
Proceeds from disposal of property, plant and equipment	3,915	101
Interest received	4,083	2,411
	<hr/>	<hr/>
Net cash used in investing activities	(2,136)	(3,638)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issues of shares	161,039	—
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	245,323	(21,317)
Cash and cash equivalents at beginning of the period	294,447	346,308
Effect of foreign exchange rate changes in cash and cash equivalents	10,305	(5,150)
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	550,075	319,841
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 28 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 2018

1. GENERAL INFORMATION

Qinqin Foodstuffs Group (Cayman) Company Limited (the “**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 was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 revision) 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 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 15 August 2018.

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 2018 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 2017, 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. 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 2017 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

The following new standards and amendments to standards relevant to the Group became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- HKFRS 9 *Financial Instruments*, and
- HKFRS 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

The Group adopted HKFRS 9 *Financial Instruments* from its effective date of 1 January 2018. HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting, if any. There was no impact on the Group's consolidated financial statements for the six months ended 30 June 2018 and the year ended 31 December 2017.

The Group adopted HKFRS 15 *Revenue from Contracts with Customers* from its effective date of 1 January 2018. The adoption of HKFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements for the prior year. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively and has restated the comparatives figures for the 2017 financial year.

The following tables show the adjustments recognised for each individual line item. There was no impact to the Group's opening retained earnings as at 1 January 2018. The adjustments are explained in more details below.

3. ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group (Continued)

Consolidated balance sheet (extract)	As at 31 December 2017		
	As originally		
	presented	HKFRS 15	Restated
	RMB '000	RMB '000	RMB '000
Current liabilities:			
Other payables and accrued charges	77,806	(27,371)	50,435
Contract liabilities	—	27,371	27,371
	<u> </u>	<u> </u>	<u> </u>
Consolidated income and other comprehensive income statement (extract)	Six months ended 30 June 2017		
	As originally		
	presented	HKFRS 15	Restated
	RMB '000	RMB '000	RMB '000
Revenue	567,964	(107,549)	460,415
Cost of goods sold	(334,139)	—	(334,139)
	<u> </u>	<u> </u>	<u> </u>
Gross profit	233,825	(107,549)	126,276
Distribution and selling expenses	(182,696)	107,549	(75,147)
Operating profit	32,386	—	32,386
Profit before income tax	29,522	—	29,522
Profit and total comprehensive income for the period, all attributable to shareholders of the Company	<u>20,052</u>	<u>—</u>	<u>20,052</u>
Earnings per share for profit attributable to shareholders of the Company			
Basic and diluted	<u>RMB0.042</u>	<u>—</u>	<u>RMB0.042</u>

3. ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

i. HKFRS 9, Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There was no significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instrument that are classified as available-for-sale financial assets;
- Debt instrument classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

As the Group does not have any hedge instruments, the new hedge accounting rules does not exert any impact.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. The Group has trade receivables for sales of goods that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 1 January 2018 did not have material change after reassessment.

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

3. ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group (Continued)

ii. HKFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group adopted the new rules retrospectively and has restated comparative figures for the 2017 financial year. The following adjustments were made to the amounts recognised in the balance sheet at the date of initial application on 1 January 2018 and the income statement for the comparative six months ended 30 June 2017:

	HKAS 18 carrying amount 31 December 2017 RMB'000	Reclassifications RMB'000	HKFRS 15 carrying amount 1 January 2018 RMB'000
Balance sheet line items			
Other payables and accrued charges	77,806	(27,371)	50,435
Contract liabilities	—	27,371	27,371
	<u> </u>	<u> </u>	<u> </u>
Six months ended 30 June 2017			
	HKAS 18 amounts RMB'000	Reclassifications RMB'000	HKFRS 15 amounts RMB'000
Revenue	567,964	(107,549)	460,415
Distribution and selling expenses	(182,696)	107,549	(75,147)
	<u> </u>	<u> </u>	<u> </u>

There was no impact to the Group's retained earnings as at 1 January 2017 and 2018.

3. ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

ii. *HKFRS 15 Revenue from Contracts with Customers (Continued)*

a. Accounting for refunds

The Group's products are often sold with retrospective volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made. The accounting treatments are the same before and after adopting HKFRS 15.

b. Payments to customers

The Group makes payments to customers for promotion expenses and related expenses and recorded such payments as distribution and selling expenses under HKAS 18. The application of HKFRS 15 resulted in the payment to a customer recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer. As a consequence, revenue and distribution and selling expenses for the six months to 30 June 2017 decreased by RMB107,549,000. For the six months to 30 June 2018, revenue and distribution and selling expenses decreased by RMB81,082,000.

c. Presentation of assets and liabilities related to contracts with customers

The Group receives advanced receipts from customers prior to goods sold and recorded such advance receipts in other payables. The adoption of HKFRS 15 resulted in the reclassification of the advance receipts from customers to contract liabilities. Reclassifications of other payable as at 1 January 2018 of RMB27,371,000 to contract liabilities were made to be consistent with the terminology used under HKFRS 15.

Other than the reclassifications of payments to customer and advance receipts from customers, the adoption of HKFRS 15 did not result in any impact to the financial statements of the Group as the timing of revenue recognition on sales of products is not changed.

3. ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

iii. *Accounting policies effective from 1 January 2018 due to the adoption of HKFRS 9 and HKFRS 15*

Financial assets — impairment

From 1 January 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Revenue Recognition

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

The Group's products are often sold with retrospective volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made. No element of financing is deemed present as the sales are made with credit terms of 60 to 90 days, which is consistent with market practice.

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

3. 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 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16 (i)	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

i. HKFRS 16, Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB2.0 million.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 2017.

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 do 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 2017.

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	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Less than 1 year		
Trade and other payables	114,995	66,962

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's current financial assets (including cash and cash equivalents and trade and other receivables) and current financial liabilities (including trade and other payables) approximated their fair values as at the balance sheet date due to their short maturities.

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:

6. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2018 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	288,730	109,464	42,634	7,010	447,838
Cost of goods sold	(208,606)	(72,702)	(29,192)	(5,940)	(316,440)
Results of reportable segments	80,124	36,762	13,442	1,070	131,398

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

Results of reportable segments	131,398
Distribution and selling expenses	(77,119)
Administrative expenses	(43,868)
Other income and other gains-net	1,132
Finance income	14,388
Finance costs	(129)
Profit before income tax	25,802
Income tax expense	(1,914)
Profit for the period	23,888

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	10,527	2,983	1,380	869	15,759
Unallocated					1,189
					16,948
Capital expenditure					
Allocated	4,145	971	30	—	5,146
Unallocated					6,405
					11,551

6. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2017 is as follows:

	Unaudited (Restated)				
	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Revenue - recognised at a point in time					
Sales to external customers	297,093	112,247	41,442	9,633	460,415
Cost of goods sold	<u>(216,060)</u>	<u>(79,106)</u>	<u>(30,085)</u>	<u>(8,888)</u>	<u>(334,139)</u>
Results of reportable segments	<u>81,033</u>	<u>33,141</u>	<u>11,357</u>	<u>745</u>	<u>126,276</u>

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

Results of reportable segments	126,276
Distribution and selling expenses	(75,147)
Administrative expenses	(28,641)
Other income and other gains-net	9,898
Finance income	2,411
Finance costs	<u>(5,275)</u>
Profit before income tax	29,522
Income tax expense	<u>(9,470)</u>
Profit for the period	<u>20,052</u>

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	<u>11,101</u>	<u>3,019</u>	<u>1,444</u>	<u>943</u>	16,507
Unallocated					<u>1,305</u>
					<u>17,812</u>
Capital expenditure					
Allocated	<u>2,019</u>	<u>330</u>	<u>14</u>	<u>—</u>	2,363
Unallocated					<u>901</u>
					<u>3,264</u>

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. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Crediting		
Interest income from cash and cash equivalents	4,083	2,411
Government grant	3,401	10,505
Exchange gain from financing activities — net	10,305	—
Charging		
Depreciation of property, plant and equipment (Note 11)	16,026	16,999
Amortisation of land use rights (Note 11)	531	477
Amortisation of intangible assets (Note 11)	391	336
Employee benefit expense, including Directors' emoluments	89,140	70,866
Loss on disposal of property, plant and equipment	3,004	148
Operating lease rentals	2,267	2,573
Reversal of provision impairment of trade receivables	—	(357)
Provision/(reversal of provision) for decline in value of inventories	2,177	(828)
Exchange loss from operating activities — net	109	5,993
Miscellaneous taxes and levies	7,686	8,369
	7,686	8,369

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	4,868	8,242
Deferred income tax, net	(2,954)	1,228
Income tax expense	<u>1,914</u>	<u>9,470</u>

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 onwards, the Group's first HK\$2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2018 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%. Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits of the Group's company in Hong Kong in 2017.

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% (2017: 25%).

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

The profits of the Mainland China subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's Mainland China subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

9. EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
Profit attributable to shareholders of the Company (RMB'000)	<u>23,888</u>	<u>20,052</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>551,696,557</u>	<u>475,696,557</u>
Basic earnings per share	<u><u>RMB0.043</u></u>	<u><u>RMB0.042</u></u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares.

The Company's share options are dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share for the six months ended 30 June 2018 and 30 June 2017 as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

10. DIVIDENDS

At a meeting of the Board of Directors held on 15 August 2018, the Directors resolved not to declare an interim dividend to shareholders for the six months ended 30 June 2018.

11. CAPITAL EXPENDITURE — NET BOOK VALUE

	Unaudited			
	Property, plant and equipment <i>RMB'000</i>	Construction-in progress <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
At 1 January 2018	292,512	2,628	39,419	4,321
Additions	5,161	766	5,624	164
Transfers	541	(541)	—	—
Disposals	(6,919)	—	—	—
Depreciation/amortisation	(16,026)	—	(531)	(391)
At 30 June 2018	<u>275,269</u>	<u>2,853</u>	<u>44,512</u>	<u>4,094</u>
At 1 January 2017	327,779	1,110	40,373	4,993
Additions	1,978	1,286	—	—
Transfers	1,641	(1,641)	—	—
Disposals	(249)	—	—	—
Depreciation/amortisation	(16,999)	—	(477)	(336)
At 30 June 2017	<u>314,150</u>	<u>755</u>	<u>39,896</u>	<u>4,657</u>

In June 2018, the Group obtained the certificate of land-use-right for the 56,168 square-meter of land situated within the Jinjiang Industrial Zone, Fujian Province, the Mainland China. Subsequent to the period end, in July 2018, the Group obtained the ownership certificates for all the respective buildings located in the above land with carrying amount of approximately RMB60,849,000 as at 30 June 2018 (31 December 2017: RMB62,663,000).

12. SHARE CAPITAL

	Unaudited			
	2018 <i>Shares</i>	2018 <i>RMB'000</i>	2017 <i>Shares</i>	2017 <i>RMB'000</i>
As at 1 January	475,696,557	4,097	475,696,557	4,097
Issue of shares	95,000,000	764	—	—
As at 30 June	<u>570,696,557</u>	<u>4,861</u>	<u>475,696,557</u>	<u>4,097</u>

12. SHARE CAPITAL (Continued)

Pursuant to the subscription agreements dated 20 January 2018 entered into between the Company and the subscribers, an aggregate of 95,000,000 new shares of the Company with par value of HK\$0.01 per share were issued at HK\$2.11 per share to the subscribers on 6 February 2018. The net proceeds of the issue was HK\$200.25 million (equivalent to approximately RMB161,039,000) and the amount of RMB764,000 and RMB160,275,000 were recorded under share capital and share premium account in other reserves, respectively.

13. TRADE RECEIVABLES

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 <i>RMB'000</i>
Trade receivables	14,639	6,832
Less: provision for impairment	(892)	(892)
	<hr/>	<hr/>
Trade receivables, net	13,747	5,940
	<hr/> <hr/>	<hr/> <hr/>

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 2017 and 30 June 2018 was as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 <i>RMB'000</i>
Within 30 days	3,945	993
31 - 180 days	9,525	4,201
181 - 365 days	277	746
Over 365 days	892	892
	<hr/>	<hr/>
	14,639	6,832
	<hr/> <hr/>	<hr/> <hr/>

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.

14. CASH AND CASH EQUIVALENTS

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Cash and cash equivalents	550,075	294,447

The cash and cash equivalents represented cash deposits held at call with banks and in hand and deposits with short-term maturity.

15. SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 May 2017 (the “**Scheme**”). On 6 June 2017, 9,630,000 share options (“**Options**”) to subscribe for a total of 9,630,000 ordinary shares of the Company were granted to a Director and certain employees of the Group pursuant to the Scheme. Out of the 9,630,000 Options, 9,480,000 Options were accepted by the grantees.

The table below discloses movement of Options held by the Director and the employees:

	Exercise price per share	Number of share options
At 1 January 2018	HK\$2.56	8,810,000
Granted during the period	—	—
Cancelled/lapsed during the period	HK\$2.56	(680,000)
At 30 June 2018	HK\$2.56	8,130,000

Share options outstanding as at 30 June 2018 have the following expiry dates and exercise prices:

Grant Date	Exercisable Date	Expiry date	Exercise price	Number of share options
6 June 2017	7 June 2019	6 June 2022	HK\$2.56	4,065,000
6 June 2017	7 June 2020	6 June 2022	HK\$2.56	4,065,000
Total				8,130,000

15. SHARE OPTION SCHEME (Continued)

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 2018 amounted to RMB1,078,000 has been charged to the consolidated income statement, while the remaining unamortised fair value of the Options of approximately RMB2,874,000 will be charged to the consolidated income statement in the future.

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

	6 June 2017
Grant date share price	HK\$2.56
Exercise price	HK\$2.56
Expected life	5 years
Expected volatility (note a)	33%
Risk-free rate (note b)	0.94%
Dividend yield (note c)	1.49%

Notes:

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

16. TRADE PAYABLES

The ageing analysis of trade payables was as follows:

	Unaudited 30 June 2018 <i>RMB'000</i>	Audited 31 December 2017 <i>RMB'000</i>
Within 30 days	21,657	28,657
31 - 180 days	16,692	14,454
181 - 365 days	541	394
Over 365 days	240	169
	<hr/> 39,130 <hr/>	<hr/> 43,674 <hr/>

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates due to short-term maturity.

17. CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, the Group had no material contingent liabilities.

18. CAPITAL COMMITMENTS

As at 30 June 2018 and 31 December 2017, the Group had the following commitments:

(a) Capital commitments

	Unaudited 30 June 2018 <i>RMB'000</i>	Audited 31 December 2017 <i>RMB'000</i>
Contracted but not provided for in respect of:		
Machinery and equipment	3,861	3,331
Buildings	435	1,220
	<hr/> 4,296 <hr/>	<hr/> 4,551 <hr/>

18. CAPITAL COMMITMENTS (Continued)

(b) Commitments under operating leases

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Not later than 1 year	1,926	2,465
Later than 1 year and not later than 5 years	67	3
	<u>1,993</u>	<u>2,468</u>

19. 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 2018 RMB'000	2017 RMB'000
Lease of office — Lianjie Sports Investments Limited (“Lianjie Sports”)	<u>195</u>	<u>213</u>

Lianjie Sports is a company wholly owned by Mr. Hui Ching Lau, the Company’s Director. Mr. Wong Wai Leung and Mr. Hui Ching Lau, the Company’s Directors, are also Directors of Lianjie Sports.

(b) Key management compensation

For the six months ended 30 June 2018, the key management compensation amounted to approximately RMB1,946,000 (2017: RMB2,866,000).

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, confectionery and other food and snacks products under the “Qinqin (親親)” brand and seasoning products under the “Shangerry (香格里)” brand. The Group is committed to providing consumers with healthy and safe products. The Group continues to optimise its product portfolio and improve its product competitiveness in order to satisfy new consumer preferences and increase market share, and to further consolidate the leading position of the Group in food and snacks and seasoning product industry.

INDUSTRY ENVIRONMENT

While the food and snacks industry of the PRC faced challenges from economic environment in the first half of 2018, the Group believes that the food and snacks industry of the PRC is still an industry with great appeal and development potential. With the improvement in people’s health awareness and income level, new market opportunities are developing. The Group believes that the industry is also under continuing structural adjustment. As consumers pursue healthier and personalised products and favour high quality and innovative products, product development in this industry is becoming more diversified. Under such changes, enterprises have to focus on product innovation and product quality improvement and introduce new products to adapt to changes in consumers’ demand and preferences. In addition, sales and distribution channels are also undergoing structural adjustments, resulting in the need for improvement on corporate sales and marketing strategies.

BUSINESS OVERVIEW

The Group’s total revenue for the first half of 2018 was approximately RMB447.8 million (first half of 2017: RMB460.4 million), representing a decrease of approximately 2.7% over the same period last year.

With consumers’ changing preferences and needs, in order to maintain the appeal of the major products of the Group to mainstream consumers, the Group launched a series of new products in the first half of 2018, which had significant refinement and improvement in packaging and flavours, with new packing incorporating younger and more stylish elements. Currently the new products are still at the stage of distribution for sale.

The Group has been streamlining certain products with relatively weak in sales volume since 2017, and with these adjustments, the overall sales volume has been affected temporarily, which also resulted in the decline in sales in the first half of the year.

In the first half of 2018, the Group's gross profit was approximately RMB131.4 million (first half of 2017: RMB126.3 million), representing an increase of approximately 4.1% over the same period last year; gross profit margin was approximately 29.3% (first half of 2017: 27.4%), representing an increase of approximately 1.9 percentage points over the same period last year. In the first half of 2018, the profit attributable to the Company's shareholders was approximately RMB23.9 million (first half of 2017: RMB20.1 million), representing an increase of approximately 19.1% over the same period last year. The increase in both gross profit and gross profit margin was attributable to higher selling prices and gross profit of the new products than those of previous products, as well as the fact that the Group reduced the intensity of product promotions activities in the first half of the year, resulting in higher overall gross profit margin.

In the first half of 2018, the Group engaged IBM (China) Company Limited to provide the Group with management consulting services to improve the core competitiveness of the Group. In addition, the Group was the first to work with the Institute of Sports Medicine of the General Administration of Sport of China to develop sports functional jelly products. The expenses incurred for investment in these resources were all included in and increased administrative expenses for the period. Moreover, the Group adjusted general staff remuneration and the performance-related bonus mechanism during the period, which, coupled with the increase in the relevant social benefit expenses, also resulted in the increase in the costs and expenses and the decrease in the operating profit of the Group for the first half of 2018.

Furthermore, in the first half of 2018, as a result of the depreciation of Renminbi against Hong Kong dollars and US dollars, the Group recorded exchange gain arising from cash and cash equivalents denominated in Hong Kong dollars and US dollars of approximately RMB10.3 million (first half of 2017: foreign exchange loss of RMB5.2 million) in total, and the Group's consolidated net profit for this reporting period increased accordingly.

Jelly Products

Sales of jelly products for the first half of 2018 were approximately RMB288.7 million (first half of 2017: RMB297.1 million), representing a decrease of approximately 2.8% over the same period last year and accounting for 64.5% (first half of 2017: 64.5%) of total revenue of the Group. The decrease in the sales of jelly products was mainly because that the Group has been streamlining certain products with relatively weak in sales volume since 2017, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily. However, as the new products were gradually launched in the market, the Group changed its sale strategy and reduced the intensity of product promotions activities, and the average selling price and gross profit margin of jelly products increased, which partially offset the impacts of the decrease in sales volume and the resulting decrease in sales.

During this reporting period, the Group continued to optimise the product portfolio for its major jelly products. The Group engaged a number of renowned marketing company to re-adjust the branding and product strategies on jelly products, introduced the concept of “zero preservatives”, and developed two new-flavor jelly products including 「奇蔬妙果」 and 「源果」。The Group developed 「輕美力」, a functional jelly product, for the female market and a pudding jelly product for the children market, all of which have been launched in the market. In addition, in view of the growing sports population, the Group was the first to work with the Institute of Sports Medicine of the General Administration of Sport of China to develop sports functional jelly products. The Group will continue to develop new products and refine the packaging of its existing products so as to improve the competitiveness of its jelly business and promote the improvement of its performance in the future.

Crackers and Chips

Sales of crackers and chips for the first half of 2018 were approximately RMB109.5 million (first half of 2017: RMB112.2 million), representing a decrease of approximately 2.4% over the same period last year and accounting for 24.4% (first half of 2017: 24.4%) of total revenue of the Group. The decrease in the sales of crackers and chips was mainly because the Group replaced its existing products with new prawn cracker products. As the new products were still at the stage of distribution for sale, the transition from old products to new products had somehow affected the sales volume.

During this reporting period, with the gradual launch of the new products in the market, the Group changed its sale strategy and reduced the intensity of product promotions activities, and the average selling price, gross profit and gross profit margin of crackers and chips increased. New crackers and chips products, including classic prawn crackers, crayfish flavor series and children prawn crackers, have higher selling prices and gross profit margin than those of previous products. Despite that these new products have been launched in the market for less than one year, their gross profit already contributed 58.8% of total gross profit of crackers and chips for the period. According to the survey of consumers, the Group's new crackers and chips were well received in the market, and the Group believes that the continuous introduction and distribution of new products in the market will enable the continuous growth of its crackers and chip business.

Seasoning Products

Sales of seasoning products for the first half of 2018 were approximately RMB42.6 million (first half of 2017: RMB41.4 million), representing an increase of approximately 2.9% over the same period last year and accounting for 9.5% (first half of 2017: 9.0%) of total revenue of the Group. In late last year, the Group established an independent seasoning division, developed clearer sales strategies for seasoning products, fully upgraded product packaging and optimised product mix. As a result, the sales volume, gross profit and gross profit margin of seasoning products all increased.

During this reporting period, the seasoning division continued to explore opportunities to provide customised products and services to catering chain customers and catering supply chain customers, with the aim of seeking market opportunities and new growth drivers in the food industry.

Confectionery and Other Products

Sales of confectionery and other products for the first half of 2018 were approximately RMB7.0 million (first half of 2017: RMB9.6 million), representing a decrease of approximately 27.2% over the same period last year and accounting for 1.6% (first half of 2017: 2.1%) of total revenue of the Group. Sales of confectionery and other products contributed relatively small proportion to the overall sales of the Group.

FUTURE PROSPECTS AND STRATEGIES

Looking forward to the second half of 2018, the Group will continue to pursue its corporate development strategy of capturing the opportunities of consumer upgrades through continuous product innovations. The Group remains customer-centric and will continue to enhance its product portfolio and promote product innovation and upgrades. The products of the Group will be developed towards more natural, healthy, safe and high-end to meet different consumer demand and enhance their competitiveness.

The Group will also aim at the rising of younger generation consumers with the trend to prefer modern style. The Group will revitalise the “Qinqin” brand, create a “younger, more fashionable, more social” characteristic to its brand. It will conduct innovative social media marketing, approach and attract young consumers, and make full use of social media including WeChat official accounts and Weibo for effective interaction with consumers. During the period, the Group engaged Tan Songyun, a popular actress, as its brand ambassador. Tan Songyun had outstanding performance in TV shows including “Empresses in the Palace” (甄嬪傳) and “With You” (最好的我們), and her youthful and energetic image is a perfect match for the Qinqin brand. The Group and Tan Songyun produced three brand TV commercials, taking advantage of the World Cup topic, which were widely broadcasted through Weibo, WeChat and major video websites to focus on young consumers and convey the brand’s youthful vitality.

Research and Development and Product Upgrade

The Group is committed to developing safe and convenient ready-to-eat new products, as well as establishing a high-quality and no preservative brand image among consumers. The Group will continue to introduce high-end technical talents, strengthen the research and development capability of its research and development centre, and create an innovative new product research and development mechanism. Looking back to the first half of the year, the Group was the first to engage in strategic cooperation with the Institute of Sports Medicine of the General Administration of Sport of China to develop sports functional jelly products. The new products already launched or to be launched by the Group include, but without limitation, pudding product series, new fruit cup shape products and more crackers and chips featuring seafood.

The Group believes that PRC food industry is in its transition period. With the upgrade of consumers and rise of consumption, health-consciousness and food safety are the major concerns of consumers. Any product upgrade must follow the trend of low sugar, low salt, and with no preservatives.

For jelly products, the Group has set the product development objective in the direction of functional and nutritional products with zero preservatives, zero artificial pigments, zero sweeteners and low calories. The Group changed its past practice of developing a product targeting a wide range of people to developing different products to adapt to the needs of different people. While strengthening research and development and being committed to improving the contents of its products, the Group continued to work with different kinds of domestic and overseas enterprises to produce innovative jelly products.

For crackers and chips, the Group targets to become a leading seafood crackers and chips brand in the PRC. Through a series of upgrades in terms of packaging, product and flavour to improve its brand influence and market share, the Group upgraded its product quality by improving tastes and expanding flavours to cater to the preferences of young consumers and regional features. It continued to work with professional fast-moving consumer goods design firms to upgrade the packaging of its products and make its product image younger and more stylish.

For seasoning products, the Group has set a clear objective of becoming a “small- and medium-sized restaurant solution provider”. It strived to strengthen its brand influence and market share through a series of upgrading such as package upgrading and continued to enhance the investment in and establishment of food and beverage channels. While consolidating its business with small restaurants, it also actively expanded its market share among chain restaurant brands.

Channel Expansion

Along with product upgrades, the Group will strive to maintain its existing market share and distributors network. The Group will further expand and upgrade its distribution network through sales to snack food branded stores, convenience stores, campus snack stores and other channels. The Group will also increase promotion of its online sales platform, export sales and new retail channels to increase sales.

While the Group continues to strengthen its traditional distribution network, in the first half of 2018, the Group has increased its investment and expansion on modern retail channel, focusing on southern China.

With significant change in the consumption habits of the young generation, the online purchase penetration rate further increased. The Group also continued to strengthen its expansion of internet marketing. In the first half of 2018, the Group’s e-commerce division continued to develop products catering to the characteristics of the e-commerce channel to differentiate from its offline products and increase unit price per customer. The Group will continue to focus on developing business in e-commerce platforms including Tmall and JD in the year. While developing the new retail channel, the Group will actively work with new retailers including Alibaba and JD and gradually increase the percentage of new retail channel in the Group’s channels.

Production Facilities Improvement

The Group aimed to reduce the impact of increasing labor costs by increasing the level of our production facilities automation. During the period, the Group continued to conduct “equipment transformation, production process enhancement, quality improvement” for its production facilities. The Group also upgraded the existing production lines, and established “high-speed, high-yield, low-loss rates and high automation” benchmarking production line in each production base. The Group believes that a more advanced and automated production process with an upgraded production capability will allow the Group to reduce its reliance on labor, 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.

Engagement of Professional Consultant

The Group is also committed to upgrading its enterprise transformation and innovation management system. During this reporting period, the Group engaged IBM (China) Company Limited to provide the Group with management consulting services. The project mainly aims to make innovative recommendations on core management elements and improve the core competitiveness of the Group through analysis of the enterprise management system of the Group.

Although the market is full of challenges, the Group will continue to adhere to its diversified products strategy. The Group will focus on the enhancement of product quality, optimising product portfolio and strengthen the market position of its key products. The Group will also further develop its distribution channels, strengthen its traditional distribution network and develop other new market access such as e-commerce and restaurants channel in order to increase market penetration. The Group will also improve its production facilities, production process and product quality and enhance production capacity and efficiency. The Group will refine its internal management team and process and recruit senior personnel in the industry to raise its standard in corporate management and technology improvement. The Group is confident that it will create greater value for its shareholders through the capture of opportunities brought by consumer upgrade in the PRC and to provide consumers with safe and assured products.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 30 June 2018. As at 30 June 2018, the Group had cash and bank balances of RMB550.1 million (31 December 2017: RMB294.4 million). Cash and bank balances were mainly denominated in Hong Kong dollars (“**HKD**”), United States dollars (“**USD**”) and Chinese Renminbi (“**RMB**”). The Group’s working capital or net current assets were RMB501.5 million (31 December 2017: RMB308.4 million). The current ratio, represented by current assets divided by current liabilities, was 4.2 (31 December 2017: 3.5).

As at 30 June 2018, the Group’s total equity was RMB857.4 million (31 December 2017: RMB671.4 million), representing an increase of 27.7%.

The Group did not have any borrowings as at 30 June 2018 (31 December 2017: Nil).

COMMITMENTS AND CONTINGENCIES

As at 30 June 2018, the Group had total capital commitments (contracted but not provided for) of RMB4.3 million (31 December 2017: RMB4.6 million).

As at 30 June 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB2.0 million (31 December 2017: RMB2.5 million). As at 30 June 2018, the lessors of our leased properties in Taian city, Shandong province were still in the process of obtaining the relevant title documents to the properties. The lease agreement for the Group’s leased properties in Xianyang, Shaanxi province expired in February 2018. After the lease was expired in February 2018 and before the date of this announcement, the Group has completed the relocation of its production facilities in Xianyang, Shaanxi province to Linying, Henan province.

The Group had no material contingent liabilities as at 30 June 2018 and 31 December 2017.

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 period under review.

CHARGE ON ASSETS

There was no charge on the Group’s assets during the period under review.

HUMAN RESOURCES AND MANAGEMENT

As at 30 June 2018, the Group had approximately 2,600 (31 December 2017: 2,700) employees. For the period under review, total employee benefit expenses, including directors' emoluments, was approximately RMB89.1 million (first half of 2017: RMB70.9 million). The increase in total employee benefit expenses was mainly attributable to overall pay raise for our employees, the increase in related costs on social welfare and adjustments on performance related bonus for our employee system during the period.

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, and trade and other receivables and payables of its subsidiaries, which are denominated in HKD, USD and other currencies.

During the period under review, RMB devalued against HKD and USD. The Group recorded foreign exchange gain in relation to its cash and cash equivalent in HKD and USD totaling RMB10.3 million (first half of 2017: net foreign exchange loss totaling RMB5.2 million). 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 2018 (30 June 2017: Nil).

OTHER INFORMATION

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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited.

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 2018 and, where appropriate, the applicable recommended best practices of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") 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 2018.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Save for information disclosed elsewhere in this announcement, 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

Pursuant to the subscription agreements dated 20 January 2018 entered into between the Company and the subscribers, an aggregate of 95,000,000 new shares of the Company were issued at HKD2.11 per Share to the subscribers on 6 February 2018. The gross and net proceeds of the issue were HKD200.45 million and HKD200.25 million respectively. The Company intends to use the net proceeds from the subscription for development and introduction and promotion of new products, expansion and upgrade of production facilities, enhancing the presence in the sales channels, and promoting the brands and for potential future acquisition and business cooperation.

PURCHASE, SALE OR REDEMPTION 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 six months ended 30 June 2018.

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 2018 and has recommended their adoption to the Board.

In addition, the Company's auditor, PricewaterhouseCoopers, 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, 15 August 2018

As of the date of this announcement, the Board comprises 12 Directors, of which three are executive Directors, namely Mr. Hui Ching Lau (Chairman), Mr. Zhu Hong Bo (Chief Executive Officer) and Mr. Wong Wai Leung (Chief Financial Officer and Company Secretary); 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.