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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 2019

FINANCIAL HIGHLIGHTS			
KEY FINANCIAL PERFORMANCE			
Consolidated Income Statement	Unaudited		
	Six months ended 30 June		
	2019	2018	% of
	RMB'000	RMB'000	change
Revenue	377,218	447,838	-15.8%
Operating profit	30,869	11,543	167.4%
Profit attributable to shareholders	32,011	23,888	34.0%
Earnings per share			
— Basic	RMB0.051	RMB0.043	
— Diluted	RMB0.051	RMB0.043	
Consolidated Balance Sheet	Unaudited	Audited	
	30 June	31 December	
	2019	2018	% of
	RMB'000	RMB'000	change
Cash and cash equivalents	820,242	566,085	44.9%
Bank borrowing	NIL	NIL	N/A
Net current assets	739,007	520,946	41.9%
Net assets	1,099,326	868,297	26.6%
KEY FINANCIAL RATIOS			
	30 June	30 June	Change
	2019	2018	(% points)
Gross profit margin	32.8%	29.3%	3.5
Return on equity (annualised)	5.8%	5.6%	0.2
Current ratio (times)	5.6	4.2	
Finished goods turnover days	10 days	8 days	
Trade receivables turnover days	4 days	4 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 statement, statement of comprehensive income, changes in equity and cash flows of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2019, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2019, 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 STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
Revenue	6	377,218	447,838
Cost of goods sold		(253,617)	(316,440)
Gross profit		123,601	131,398
Distribution and selling expenses		(61,016)	(77,119)
Administrative expenses		(42,898)	(43,868)
Other income and other gains — net		11,182	1,132
Operating profit		30,869	11,543
Finance income		11,942	14,388
Finance costs		(223)	(129)
Finance income — net		11,719	14,259
Profit before income tax	7	42,588	25,802
Income tax expense	8	(10,577)	(1,914)
Profit for the period, all attributable to shareholders of the Company		32,011	23,888
Earnings per share for profit attributable to shareholders of the Company			
— Basic earnings per share (expressed in RMB per share)	9	RMB0.051	RMB0.043
— Diluted earnings per share (expressed in RMB per share)	9	RMB0.051	RMB0.043

The notes on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	32,011	23,888
Other comprehensive income	—	—
	_____	_____
Total comprehensive income for the period, all attributable to shareholders of the Company	32,011	23,888
	<u> </u>	<u> </u>

The notes on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2019

		Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	11	256,773	264,726
Construction-in-progress	11	7,343	3,995
Right-of-use assets	3(a)	68,527	—
Land use rights	3(a)	—	43,980
Intangible assets	11	3,367	3,758
Prepayments for non-current assets		4,730	6,542
Deferred income tax assets		23,436	24,592
		<u>364,176</u>	<u>347,593</u>
Current assets			
Inventories		67,343	101,757
Trade receivables	13	6,826	9,049
Other receivables, prepayments and deposits		5,887	26,234
Cash and cash equivalents	14	820,242	566,085
		<u>900,298</u>	<u>703,125</u>
Total assets		<u><u>1,264,474</u></u>	<u><u>1,050,718</u></u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		5,758	4,861
Other reserves		553,872	355,751
Retained earnings		539,696	507,685
Total equity		<u><u>1,099,326</u></u>	<u><u>868,297</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,082	—
Deferred income tax liability		775	242
		<u>3,857</u>	<u>242</u>
Current liabilities			
Trade payables	16	26,156	56,616
Other payables and accrued charges		124,688	101,063
Contract liabilities		6,848	24,500
Current income tax liabilities		2,032	—
Lease liabilities		1,567	—
		<u>161,291</u>	<u>182,179</u>
Total liabilities		<u>165,148</u>	<u>182,421</u>
Total equity and liabilities		<u><u>1,264,474</u></u>	<u><u>1,050,718</u></u>

The notes on pages 8 to 27 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 2019

		Unaudited			
		Attributable to the Company's shareholders			
		Share	Other	Retained	Total
		capital	reserves	earnings	equity
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2019		4,861	355,751	507,685	868,297
Total comprehensive income					
— Profit for the period		—	—	32,011	32,011
Transaction with equity holders					
— Issue of ordinary shares	<i>12</i>	897	195,895	—	196,792
Equity-settled share option arrangement	<i>15</i>	—	2,226	—	2,226
		<u>5,758</u>	<u>553,872</u>	<u>539,696</u>	<u>1,099,326</u>
Balance at 30 June 2019		5,758	553,872	539,696	1,099,326
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	<i>12</i>	764	160,275	—	161,039
Equity-settled share option arrangement	<i>15</i>	—	1,078	—	1,078
		<u>4,861</u>	<u>349,124</u>	<u>503,403</u>	<u>857,388</u>
Balance at 30 June 2018		4,861	349,124	503,403	857,388

The notes on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	76,677	92,972
Income tax paid	(4,450)	(6,552)
	<hr/>	<hr/>
Net cash generated from operating activities	72,227	86,420
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment, including additions of construction-in-progress	(14,334)	(9,970)
Purchase of land use rights	(20,696)	—
Purchase of intangible assets	—	(164)
Proceeds from disposal of property, plant and equipment	8,932	3,915
Interest received	6,279	4,083
	<hr/>	<hr/>
Net cash used in investing activities	(19,819)	(2,136)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issues of shares	196,792	161,039
Repayment of lease liabilities	(706)	—
	<hr/>	<hr/>
Net cash generated from financing activities	196,086	161,039
	<hr/>	<hr/>
Net increase in cash and cash equivalents	248,494	245,323
Cash and cash equivalents at beginning of the period	566,085	294,447
Effect of foreign exchange rate changes in cash and cash equivalents	5,663	10,305
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	820,242	550,075
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 27 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 2019

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, Uglund 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 16 August 2019.

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 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), except for the adoption of the new and amended standards as disclosed in Note 3 below.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this interim condensed consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018 and the corresponding interim financial period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

- HKFRS 16 Leases
- HK(IFRIC) 23 Uncertainty over income tax treatments
- HKFRS 9 (Amendments) Prepayment features with negative compensation
- HKAS 28 (Amendments) Long-term interests in associates and joint venture
- HKAS 19 (Amendments) Plan amendment, curtailment or settlement

The Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

i. The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses, and a production property. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

i. The Group's leasing activities and how these are accounted for

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

ii. Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

	<i>RMB '000</i>
Operating lease commitments disclosed as at 31 December 2018	3,826
Less:	
Short-term leases recognised on a straight-line basis as expense	(2,090)
	<u>1,736</u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	1,657
Of which:	
Current lease liabilities	935
Non-current lease liabilities	722
	<u>1,657</u>
Add:	
Reclassification of land use rights	43,980
	<u>45,637</u>

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

ii. Adjustments recognised on adoption of HKFRS 16 (Continued)

The recognised right-of-use assets relate to the following types of assets:

	Unaudited		Total right-of-use assets RMB'000
	Land use rights RMB'000	Buildings RMB'000	
At 1 January 2019	43,980	1,657	45,637
Additions	20,696	3,698	24,394
Depreciation	(740)	(764)	(1,504)
At 30 June 2019	<u>63,936</u>	<u>4,591</u>	<u>68,527</u>

As at 30 June 2019, certain land of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China, with carrying amount of approximately RMB6,605,000 (31 December 2018: RMB6,709,000) were still in the process of applying for the ownership certificates.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets — increase by RMB45,637,000
- Land use rights — decrease by RMB43,980,000
- Lease liabilities (current portion) — increase by RMB935,000
- Lease liabilities (non-current portion) — increase by RMB722,000

There was no impact on retained earnings on 1 January 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

ii. Adjustments recognised on adoption of HKFRS 16 (Continued)

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

(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 2019 and have not been early adopted by the Group:

Standards	Effective for annual periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments) Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Revised Conceptual Framework: Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17 Insurance contracts	1 January 2021

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 2018.

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 2018.

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

5. FINANCIAL RISK MANAGEMENT (Continued)

5.2 Liquidity risk

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

	Unaudited				Total RMB'000
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	
At 30 June 2019					
Trade and other payables	114,875	—	—	—	114,875
Lease liabilities	1,567	903	1,158	1,021	4,649
	116,442	903	1,158	1,021	119,524
	Audited				Total RMB'000
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	
At 31 December 2018					
Trade and other payables	112,822	—	—	—	112,822

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 and lease liabilities) 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

6. SEGMENT INFORMATION (Continued)

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.

The segment information for the six months ended 30 June 2019 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	258,586	78,397	33,858	6,377	377,218
Cost of goods sold	(175,058)	(50,095)	(23,266)	(5,198)	(253,617)
Results of reportable segments	83,528	28,302	10,592	1,179	123,601

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

Results of reportable segments	123,601
Distribution and selling expenses	(61,016)
Administrative expenses	(42,898)
Other income and other gains-net	11,182
Finance income — net	11,719
Profit before income tax	42,588
Income tax expense	(10,577)
Profit for the period	32,011

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	10,314	2,788	1,310	837	15,249
Unallocated					2,078
					17,327
Capital expenditure					
Allocated	10,123	2,966	355	—	13,444
Unallocated					25,630
					39,074

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	<u>(208,606)</u>	<u>(72,702)</u>	<u>(29,192)</u>	<u>(5,940)</u>	<u>(316,440)</u>
Results of reportable segments	<u>80,124</u>	<u>36,762</u>	<u>13,442</u>	<u>1,070</u>	<u>131,398</u>

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 — net		<u>14,259</u>
Profit before income tax		25,802
Income tax expense		<u>(1,914)</u>
Profit for the period		<u>23,888</u>

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	<u>10,527</u>	<u>2,983</u>	<u>1,380</u>	<u>869</u>	15,759
Unallocated					<u>1,189</u>
					<u>16,948</u>
Capital expenditure					
Allocated	<u>4,145</u>	<u>971</u>	<u>30</u>	<u>—</u>	5,146
Unallocated					<u>6,405</u>
					<u>11,551</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	
	2019	2018
	RMB'000	RMB'000
Crediting		
Government grants	4,037	3,401
Gains on disposal of property, plant and equipment	5,079	—
Interest income from banks	6,279	4,083
Exchange gain from financing activities — net	5,663	10,305
Charging		
Depreciation of property, plant and equipment <i>(Note 11)</i>	15,432	16,026
Depreciation of right-of-use assets <i>(Note 3(a))</i>	1,504	—
Amortisation of land use rights	—	531
Amortisation of intangible assets <i>(Note 11)</i>	391	391
Employee benefit expense, including Directors' emoluments	75,540	89,140
Loss on disposal of property, plant and equipment	—	3,004
Operating lease rentals	1,606	2,267
Provision for decline in value of inventories	1,685	2,177
Finance costs	223	129
Exchange loss from operating activities — net	198	109
Miscellaneous taxes and levies	2,544	7,686
	2,544	7,686

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	8,888	4,868
Deferred income tax, net	1,689	(2,954)
Income tax expense	<u>10,577</u>	<u>1,914</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 2019 and 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%.

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% (2018: 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	
	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	<u>32,011</u>	<u>23,888</u>
Weighted average number of ordinary shares for basic earnings per share	<u>622,896,557</u>	<u>551,696,557</u>
Basic earnings per share	<u>RMB0.051</u>	<u>RMB0.043</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 potentially dilutive ordinary shares comprised of share options.

	Unaudited	
	Six months ended 30 June	
	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	<u>32,011</u>	<u>23,888</u>
Weighted average number of ordinary shares in issue	<u>622,896,557</u>	<u>551,696,557</u>
Adjustments for share options	<u>218,734</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>623,115,291</u>	<u>551,696,557</u>
Diluted earnings per share	<u>RMB0.051</u>	<u>RMB0.043</u>

10. DIVIDENDS

At a meeting of the Board of Directors held on 16 August 2019, the Directors resolved not to declare an interim dividend to shareholders for the six months ended 30 June 2019.

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

	Unaudited		
	Property, plant and equipment	Construction- in progress	Intangible assets
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	264,726	3,995	3,758
Additions	11,206	3,474	—
Transfers	126	(126)	—
Disposals	(3,853)	—	—
Depreciation/amortisation	(15,432)	—	(391)
	<hr/>	<hr/>	<hr/>
At 30 June 2019	256,773	7,343	3,367
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 January 2018	292,512	2,628	4,321
Additions	5,161	766	164
Transfers	541	(541)	—
Disposals	(6,919)	—	—
Depreciation/amortisation	(16,026)	—	(391)
	<hr/>	<hr/>	<hr/>
At 30 June 2018	275,269	2,853	4,094
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. SHARE CAPITAL

	2019	Unaudited		
	Shares	2019	2018	2018
		RMB'000	<i>Shares</i>	<i>RMB'000</i>
As at 1 January	570,696,557	4,861	475,696,557	4,097
Issue of shares	104,400,000	897	95,000,000	764
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June	675,096,557	5,758	570,696,557	4,861
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Pursuant to the subscription agreements dated 22 March 2019 entered into between the Company and the subscribers, an aggregate of 104,400,000 new shares of the Company with par value of HK\$0.01 per share were issued at HK\$2.2 per share to the subscribers on 1 April 2019. The net proceeds of the issue was approximately HK\$229.48 million (equivalent to approximately RMB196,792,000) and the amount of RMB897,000 and RMB195,895,000 were recorded under share capital and share premium account in other reserves, respectively.

13. TRADE RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Trade receivables	6,826	9,143
Less: provision for impairment	—	(94)
	<hr/>	<hr/>
Trade receivables, net	6,826	9,049
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE RECEIVABLES *(Continued)*

The credit period of the Group's trade receivables ranges from 60 to 90 days. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2018 and 30 June 2019 was as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 <i>RMB'000</i>
Within 30 days	2,814	1,131
31 - 180 days	1,490	7,759
181 - 365 days	2,522	253
	<u>6,826</u>	<u>9,143</u>

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 30 June 2019 RMB'000	Audited 31 December 2018 <i>RMB'000</i>
Cash and cash equivalents	<u>820,242</u>	<u>566,085</u>

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 to subscribe for a total of 9,630,000 ordinary shares of the Company were granted to a director and certain employees of the Group pursuant to the Scheme. Out of the 9,630,000 Options, 9,480,000 Options were accepted by the grantees.

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

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

	Options granted on 16 August 2018	
	Exercise price per share	Number of Options
At 1 January 2019	HK\$2.31	10,320,000
Cancelled/lapsed during the period	HK\$2.31	(1,680,000)
	<hr/>	<hr/>
At 30 June 2019	HK\$2.31	8,640,000
	<hr/> <hr/>	<hr/> <hr/>
	Options granted on 6 June 2017	
	Exercise price per share	Number of Options
At 1 January 2019	HK\$2.56	7,000,000
Cancelled/lapsed during the period	HK\$2.56	(1,280,000)
	<hr/>	<hr/>
At 30 June 2019	HK\$2.56	5,720,000
	<hr/> <hr/>	<hr/> <hr/>
At 1 January 2018	HK\$2.56	8,810,000
Cancelled/lapsed during the period	HK\$2.56	(680,000)
	<hr/>	<hr/>
At 30 June 2018	HK\$2.56	8,130,000
	<hr/> <hr/>	<hr/> <hr/>

15. SHARE OPTION SCHEME (Continued)

Share options outstanding as at 30 June 2019 have the following expiry dates and exercise prices:

Grant Date	Exercisable Date	Expiry date	Exercise price	Number of share options 30 June 2019
6 June 2017	7 June 2019	6 June 2022	HK\$2.56	2,860,000
6 June 2017	7 June 2020	6 June 2022	HK\$2.56	2,860,000
16 August 2018	17 August 2020	16 August 2023	HK\$2.31	4,320,000
16 August 2018	17 August 2021	16 August 2023	HK\$2.31	4,320,000
Total				14,360,000

The total amount of the fair value of share options granted to Directors and selected employees is expensed over the vesting period. The equity-settled share-based payment expense for the six months ended 30 June 2019 amounted to RMB2,226,000 (2018: RMB1,078,000), and the remaining unamortised fair value of share options granted of approximately RMB4,852,000 (2018: 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 share options by using Binomial Model:

	Options granted on 6 June 2017	Options granted on 16 August 2018
Grant date share price	HK\$2.56	HK\$2.29
Exercise price	HK\$2.56	HK\$2.31
Expected life	5 years	5 years
Expected volatility (Note a)	33%	34%
Risk-free rate (Note b)	0.94%	2.06%
Dividend yield (Note c)	1.49%	1.91%

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 2019 <i>RMB'000</i>	Audited 31 December 2018 <i>RMB'000</i>
Within 30 days	14,335	40,072
31 — 180 days	11,658	15,891
181 — 365 days	70	190
Over 365 days	93	463
	<hr/> 26,156 <hr/>	<hr/> 56,616 <hr/>

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

17. COMMITMENTS

As at 30 June 2019 and 31 December 2018, the Group had the following commitments:

(a) Capital commitments

	Unaudited 30 June 2019 <i>RMB'000</i>	Audited 31 December 2018 <i>RMB'000</i>
Contracted but not provided for in respect of:		
Machinery and equipment	20,561	4,863
Buildings (<i>Note</i>)	60,372	421
	<hr/> 80,933 <hr/>	<hr/> 5,284 <hr/>

Note: The amount included contracted capital commitments in relation to the construction of production facilities, warehouse and office in Xiaogan, Mainland China, with approximately RMB56,162,000 as at 30 June 2019.

17. COMMITMENTS *(Continued)*

(b) Commitments under operating leases

	Unaudited 30 June 2019 <i>RMB'000</i>	Audited 31 December 2018 <i>RMB'000</i>
Not later than 1 year	942	2,636
Later than 1 year and not later than 5 years	—	1,190
	<u>942</u>	<u>3,826</u>

18. 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 2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Lease of office		
— Lianjie Sports Investments Limited (“ Lianjie Sports ”)	207	195
— Lianjie Investments Group Limited (“ Lianjie Investments ”)	37	—
	<u>244</u>	<u>195</u>

Lianjie Sports is a company wholly owned by Mr Hui Ching Lau (“**Mr. Hui**”), the Company’s controlling shareholder and Chairman.

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

(b) Key management compensation

For the six months ended 30 June 2019, the key management compensation amounted to approximately RMB1,807,000 (2018: RMB1,946,000).

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 industry.

INDUSTRY ENVIRONMENT

While the food and snacks industry of the PRC faced challenges from economic environment in the first half of 2019, the Group believes that the food and snacks industry of the PRC is still an industry with great appeal and development potential. With the increase in consumers’ 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 in corporate sales and marketing strategies.

BUSINESS OVERVIEW

The Group’s total revenue for the first half of 2019 was approximately RMB377.2 million (first half of 2018: RMB447.8 million), representing a decrease of 15.8% over the same period last year. The gross profit was approximately RMB123.6 million (first half of 2018: RMB131.4 million), representing a decrease of 5.9% over the same period last year; gross profit margin was 32.8% (first half of 2018: 29.3%), representing an increase of approximately 3.5 percentage points over the same period last year. In the first half of 2019, the profit attributable to the Company’s shareholders was approximately RMB32.0 million (first half of 2018: profit attributable to the Company’s shareholders of RMB23.9 million), representing an increase of approximately 34.0% over the same period last year.

During the first half of 2019, the Group aimed to increase its overall profit and to driving its long-term corporate development, through continuous adjustments on product mix. The Group focused on the development of new products to enrich its product portfolio and to develop high-margin products. During the process of product mix adjustments, the Group also adjusted its sales strategies proactively by increasing its promotion and related sales expenditures on its new and high-margin products, whilst product promotional activities and expenses on its existing and low-margin products were reduced. These strategic adjustments led to a drop in the sales volume of its existing and low-margin products and a decrease in total revenue and gross profit during the period accordingly.

Despite there was a drop in product sales volume during the first half of 2019, during the process of product mix adjustments, the proportion of sales of new and high-margin products to total sales has been increased. Together with the impact from sales strategies adjustments to reduce its promotional activities and expenses on its existing and low-margin products, the Group's gross profit margin, operating profit and consolidated net profit have all increased during the current period. The Group believes the aforementioned adjustments to its product mix and sales strategies are beneficial to its long-term corporate development and growth.

Jelly products

Sales of jelly products for the first half of 2019 were approximately RMB258.6 million (first half of 2018: RMB288.7 million), representing a decrease of 10.4% over the same period last year and accounting for 68.6% (first half of 2018: 64.5%) of total revenue of the Group. In the first half of 2019, the Group continued to adjust its product mix and established its three major product lines including the traditional-flavor jelly product line, the pudding jelly product line and the functional jelly product line. The Group continued to focus on the development of pudding jelly and functional jelly products and promoted new products with high-margin, including fruit flavour flexible pouches packaging jelly products, namely 「奇蔬妙果」, 「蔬果一日分」 and 「茶清果輕」; 「小Q仔」, a pudding jelly product line targeting the children market; 「輕美力」, a body management jelly product targeting for the female market; and 「蘊能+」, a functional fitness jelly products developed with the Institute of Sports Medicine of the General Administration of Sport of China. In the first half of 2019, the Group adjusted its sales strategies proactively by increasing its promotion and related sales expenditures on its new and high-margin products, whilst product promotional activities and expenses on its existing and low-margin products were reduced. These

strategic adjustments led to a drop in the sales volume of its existing and low-margin products and a decrease in total revenue during the period accordingly. During the current period, the gross profit margin of jelly products was 32.3% (first half of 2018: 27.8%), representing an increase of approximately 4.5 percentage points over the same period last year. Increase in gross profit and gross profit margin during the current period was mainly attributable to product mix adjustments and the increase in the proportion of new products, together with the impact on reduction of promotional activities and expenses on its existing and low-margin products. The Group believes that the gradual increase in the proportion of new products will facilitate the recovery of the growth trend of jelly products business.

Crackers and Chips

Sales of crackers and chips for the first half of 2019 were approximately RMB78.4 million (first half of 2018: RMB109.5 million), representing a decrease of 28.4% over the same period last year and accounting for 20.8% (first half of 2018: 24.4%) of total revenue of the Group. Since 2018, the Group has been focusing on the promotion of its high-priced products through a comprehensive upgrade of its prawn cracker products from packaging to product quality. The sales of these products are less robust in rural areas due to higher pricing, which led to a drop in the sales volume of products and a decrease in revenue and gross profit of crackers and chips during the first half of 2019. During the current period, the gross profit margin of crackers and chips is 36.1% (first half of 2018: 33.6%), representing an increase of approximately 2.5 percentage points over the same period last year. Increase in gross profit margin during the current period was mainly attributable to product mix adjustments and the increase in the proportion of new products, together with the impact on reduction of promotional activities and expenses on its existing and low-margin products.

In connection with the problem of sales of high-priced products are less robust in rural areas, the Group proactively developed more new products with wider price ranges as well as different specification during the first half of 2019, in order to cater for the needs of different markets and consumers. Meanwhile, the Group continued to launch new products with new flavours for its popular series (such as the classic prawn crackers series and the crayfish flavour series), established a product line of seafood crackers and chips, and launched its squid flavour products. The Group believes the continuous launching and distribution of new products to the market will be beneficial to the development and growth of its crackers and chips business.

Seasoning Products

Sales of seasoning products for the first half of 2019 were approximately RMB33.9 million (first half of 2018: RMB42.6 million), representing a decrease of 20.6% over the same period last year and accounting for 9.0% (first half of 2018: 9.5%) of total revenue of the Group. During the first half of 2019, the Group has made price adjustment to its products due to the significant increase in the price of raw material of seasoning products. As customers are relatively sensitive to the prices, along with the impact from sales strategies adjustments to reduce the intensity of product promotional activities and expenses, sales volume of seasoning products declined as a result. During the current period, the launching and promotion of new products was slower than expected, as a result, the negative impact from the decline in sales volume of its existing products and the increase of raw materials price was unable to be offset, thus revenue and gross profit of the seasoning products recorded a decrease in the first half of 2019. The gross profit margin was 31.3% (first half of 2018: 31.5%), representing a decrease of approximately 0.2 percentage points over the same period last year.

The Group's strategies will continue to accelerate the development of new products and upgrade on product packaging, resulting in an optimised product mix and an increased proportion in high-margin products. The Group continued to step up promotion of its seasoning products in two channels, namely the catering market and the agricultural trade and wholesale market, and to launch products to meet the demands of the catering market. Meanwhile, with aim of seeking market opportunities and new growth drivers in the process of industrialisation of the catering industry, the Group will continue to provide customised products and services to catering chain customers and catering supply chain customers.

Confectionery and Other Products

Sales of confectionery and other products for the first half of 2019 were approximately RMB6.4 million (first half of 2018: RMB7.0 million), representing a decrease of 9.0% over the same period last year and accounting for 1.7% (first half of 2018: 1.6%) of total revenue of the Group. Sales of confectionery and other products contributed relatively small proportion to the overall sales of the Group.

Development of Sesame Candy and Rice Wine Business

The Group entered into the Strategic Cooperation Agreement with Xiaogan City People's Government in Mainland China in November 2018 to jointly promote the revitalisation and development of the traditional manufacturing industries of sesame candy (麻糖) and rice wine (米酒) (being local specialities of the Xiaogan City). The Group successfully won the bid for a parcel of land of approximately 98,000 square meter located at Xiaonan District of Xiaogan City in January 2019, the land use rights certificate of that land has been obtained in March 2019 and the construction of the Qinqin Healthy Rice Wine Industrial Park (親親健康米酒工業園) has been commenced as well. It is expected that pilot production will be launched upon the completion of construction of the first phase facilities by the end of this year. The Group has engaged an overseas design company to design a conceptual layout for its tourism factory facilities, and planned on developing a new project that incorporates the production of sesame candy (麻糖) and rice wine (米酒) with tourism elements.

The Group believes that the aforementioned new development project will expand its product lines, facilitate the Group's diversified development in its food and snack products business as well as further advance the Group's long-term development and growth.

FUTURE PROSPECTS AND STRATEGIES

Looking forward to the second half of 2019, 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, secure and high-end to meet different consumer demands and enhance their competitiveness.

During the first half of 2019, the Group has cooperated with SAP to establish an information management system which will integrate and restructure the information flow, capital flow, logistic and business processes among the Group's internal management systems and its external suppliers and customers, which are in line with the Company's requirements for sustainable development. The implementation of the new systems will establish a modernised supply chain management system and enhance the Group's centralised control and supervision.

Research and Development and Promotion

The Group is committed to developing secure and convenient ready-to-eat new products, as well as establishing a high-quality brand image among consumers. The Group has restructured the product management centre since last year and capitalised on the Group's high-end technical talents and its innovative product research and development mechanism to strengthen its capabilities of product management, product and packaging material development and brand promotion, as well as enhance efficiency and speed up the process from development to product launch for new products.

The Group attaches great importance to the promotion of new products and the development of innovative social media marketing, hence the Group engaged brand ambassador and spokesperson, with an effort to approach and attract young consumers through content marketing, and has made full use of social media including WeChat, Weibo and Douyin etc. to establish effective interaction with consumers.

Product Upgrade

The Group believes that health-consciousness and food safety are still the major themes during the upgrade and transformation process of the PRC food industry. 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 developed different products to cater to the needs of different people, its product line expanded from jelly products with only single fruit flavor to pudding and functional jelly products, offering a variety of options for consumers. 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 flavor to improve its brand influence and market share, the Group upgraded its product quality by improving tastes and expanding flavors to cater to the preferences of young consumers and regional features.

For seasoning products, the Group has set a clear objective of becoming a “small- and medium-sized restaurant solution provider”. It increased the proportion of products with mid-to-high gross profit in the product structure, and 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, gas stations and other channels. The Group will also increase promotion of its e-commerce and export sales channels to increase sales. The Group will actively work with new retailers including Alibaba and JD and gradually increase the percentage of new retail channel in the Company’s channels.

With the online purchase penetration rate further increased, the Group also continued to strengthen its expansion of internet marketing. In the first half of 2019, the Group restructured its e-commerce division in Shanghai and it 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 its business in e-commerce platforms on Tmall and JD in the year.

Production Facilities Improvement

The Group aimed to reduce the impact of increasing labor costs by increasing the level of our production facilities automation. The Group continued to conduct “equipment transformation, production process enhancement, quality improvement” for its production facilities. 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, and cooperated with various foreign equipment enterprises for bringing in jelly and crackers and chips products production line with 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 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.

The Group strives 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, QS, KOSHER and ISO9001 certifications in respect of its production facilities, quality control and management system.

Although the market is full of challenges, the Group will continue to adhere to its diversified product strategies. The Group will focus on the enhancement of product quality, optimisation of 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, provide consumers with safe and assured products, and capture opportunities brought by consumer upgrade in the PRC, thereby creating greater value for its shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 30 June 2019. As at 30 June 2019, the Group had cash and bank balances of RMB820.2 million (31 December 2018: RMB566.1 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 RMB739.0 million (31 December 2018: RMB520.9 million). The current ratio, represented by current assets divided by current liabilities, was 5.6 (31 December 2018: 3.9).

As at 30 June 2019, the Group’s total equity was RMB1,099.3 million (31 December 2018: RMB868.3 million), representing an increase of 26.6%.

The Group did not have any borrowings as at 30 June 2019 (31 December 2018: Nil).

COMMITMENTS AND CONTINGENCIES

As at 30 June 2019, the Group had total capital commitments (contracted but not provided for) of RMB80.9 million (31 December 2018: RMB5.3 million).

As at 30 June 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB0.9 million (31 December 2018: RMB3.8 million). As at 30 June 2019, 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 Group had no material contingent liabilities as at 30 June 2019 and 31 December 2018.

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 2019, the Group had approximately 2,200 (31 December 2018: 2,500) employees. For the period under review, total employee benefit expenses, including directors' emoluments, was approximately RMB75.5 million (first half of 2018: RMB89.1 million). The decrease in total employee benefit expenses was mainly attributable to the decrease in number of employees 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 RMB5.7 million (first half of 2018: net foreign exchange gain totaling RMB10.3 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 2019 (30 June 2018: 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 2019 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 2019.

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to the subscription agreements dated 22 March 2019 entered into between the Company and the subscribers, an aggregate of 104,400,000 ordinary shares of the Company of HKD0.01 each in the share capital of the Company (the “**Shares**”) were issued at HKD2.2 per Share (the “**Subscription Price**”) to the subscribers on 1 April 2019 (the “**Subscription**”). The aggregate nominal value of the Shares under the Subscription is HK\$1,044,000. The Subscription Price represents (i) a premium of approximately 1.38% to the closing price of HK\$2.17 per Share as quoted on the Stock Exchange on 21 March 2019, the date on which the terms of the subscription agreement were fixed; and (ii) a discount of approximately 1.43% to the average closing price of approximately HK\$2.232 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 21 March 2019. The subscribers are independent professional or individual investors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscribers (and their respective ultimate beneficial owners, if applicable) are third parties independent of the Company and its connected persons. Details of the Subscription were disclosed in the Company’s announcements dated 22 March 2019 and 1 April 2019.

The gross and net proceeds of the Subscription were approximately HKD229.68 million (equivalent to approximately RMB197.0 million) and approximately HKD229.48 million (equivalent to approximately RMB196.8 million), respectively. The net subscription price, after deducting such fees, costs and expenses, is therefore approximately HK\$2.198 per Share under the Subscription.

Sets out below is a summary of the intended and actual use of proceeds from the Subscription:

Intended use of proceeds as announced and actual use of proceeds	Net proceeds (Approximate) (RMB in million)	Amount of proceeds utilised up to 30 June 2019 (Approximate) (RMB in million)	Amount of proceeds unutilised up to 30 June 2019 (Approximate) (RMB in million)
Upgrade of enterprise resource planning (ERP) system of the Group	15.4	0.5	14.9
Purchase of machinery and equipment	29.2	2.3	26.9
Promotion and marketing campaigns	25.7	25.7	—
Provide funding for land acquisition and development costs of sesame candy and rice wine production facilities in Xiaogan City, Hubei Province, PRC	126.5	1.8	124.7
Total	196.8	30.3	166.5

As at the date of this announcement, the Company expects that the unutilised proceeds will be used according to the intended use of proceeds as previously announced.

Save as disclosed herein, the Company did not have any other fund raising activity during the six months ended 30 June 2019 and up to the date of this announcement.

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 2019.

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 2019 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, 16 August 2019

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.