



亲亲食品

Better Food, Better Life

親親食品集團（開曼）股份有限公司

QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

STOCK CODE: 1583



Interim Report 2021

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Wong Wai Leung *FCCA CPA*

AUTHORISED REPRESENTATIVES

Sze Man Bok
Wong Wai Leung

REGISTERED OFFICE

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KY1-1104
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PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 1583

HEAD OFFICE IN THE PRC

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Jinjiang City
Fujian Province
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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18 Harcourt Road
Hong Kong

COMPANY'S WEBSITE

www.fjqinqin.com

LEGAL ADVISERS

Hong Kong
Reed Smith Richards Butler

PRC
Global Law Office

Cayman Islands
Maples and Calder

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

SHARE REGISTRAR

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

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FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE

Consolidated Income Statement

	Unaudited Six months ended 30 June		% of change
	2021 RMB'000	2020 RMB'000	
Revenue	505,620	445,498	13.5%
Operating profit	273	49,377	-99.4%
(Loss)/profit attributable to shareholders	(8,653)	50,255	-117.2%
(Loss)/earnings per share (expressed in RMB per share)			
— Basic	RMB(0.011)	RMB0.074	
— Diluted	RMB(0.011)	RMB0.074	

Consolidated Balance Sheet

	Unaudited	Audited	% of change
	30 June 2021 RMB'000	31 December 2020 RMB'000	
Cash and bank balances	532,366	711,018	-25.1%
Borrowings	87,800	70,199	25.1%
Net current assets	341,954	492,577	-30.6%
Net assets	1,338,359	1,335,958	0.2%

KEY FINANCIAL RATIOS

	30 June 2021	30 June 2020	Change (% points)
Gross profit margin	25.7%	34.6%	(8.9)
Return on equity (annualised)	-1.3%	8.3%	(9.6)
Current ratio (times)	1.9	3.6	
Finished goods turnover days	18 days	11 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 2021, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2021, 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Qinqin Foodstuffs Group (Cayman) Company Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 30, which comprises the interim condensed consolidated balance sheet of Qinqin Foodstuffs Group (Cayman) Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2021 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13 August 2021

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

	Note	Unaudited	
		Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	6	505,620	445,498
Cost of goods sold	7	(375,846)	(291,433)
Gross profit		129,774	154,065
Distribution and selling expenses	7	(79,998)	(67,043)
Administrative expenses	7	(63,446)	(44,840)
Net impairment (losses)/reversal on financial assets		1,186	(1,933)
Other income and other gains — net	8	12,757	9,128
Operating profit		273	49,377
Finance income	9	5,869	18,042
Finance costs	9	(3,908)	(144)
Finance income — net		1,961	17,898
Share of net gain/(loss) of investments accounted for using the equity method		1,766	(1,379)
Profit before income tax		4,000	65,896
Income tax expense	10	(12,653)	(15,641)
(Loss)/profit for the period, all attributable to shareholders of the Company		(8,653)	50,255
(Loss)/earnings per share for (loss)/profit attributable to shareholders of the Company			
— Basic (loss)/earnings per share (expressed in RMB per share)	11	RMB(0.011)	RMB0.074
— Diluted (loss)/earnings per share (expressed in RMB per share)	11	RMB(0.011)	RMB0.074

The notes on pages 12 to 30 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 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit for the period	(8,653)	50,255
Other comprehensive income		
<i>Items that may not be reclassified to profit or loss</i>		
Fair value gains on financial assets at fair value through other comprehensive income	10,898	19,000
Other comprehensive income for the period	10,898	19,000
Total comprehensive income for the period, all attributable to shareholders of the Company	2,245	69,255

The notes on pages 12 to 30 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	468,493	402,413
Construction-in-progress	13	308,786	231,452
Right-of-use assets	14	83,282	85,938
Intangible assets	13	2,715	2,502
Prepayments for non-current assets		21,955	24,773
Deferred income tax assets		39,367	51,106
Investments accounted for using the equity method		654	2,539
Financial assets at fair value through other comprehensive income	5.3	93,899	61,610
		1,019,151	862,333
Current assets			
Inventories		95,449	150,556
Trade receivables	15	8,986	11,040
Other receivables, prepayments and deposits		45,681	51,039
Financial assets at fair value through profit or loss	5.3	58,879	56,942
Cash and bank balances	16	532,366	711,018
		741,361	980,595
Total assets		1,760,512	1,842,928
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	17	6,433	6,433
Other reserves		755,220	736,801
Retained earnings		576,706	592,724
Total equity		1,338,359	1,335,958

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	6,358	6,654
Deferred income tax liabilities		16,388	12,298
		22,746	18,952
Current liabilities			
Trade payables	19	62,916	86,347
Other payables and accrued charges		219,660	229,375
Contract liabilities		20,684	78,751
Current income tax liabilities		8,347	22,238
Borrowings	20	87,800	70,199
Lease liabilities	14	—	1,108
		399,407	488,018
Total liabilities		422,153	506,970
Total equity and liabilities		1,760,512	1,842,928

The notes on pages 12 to 30 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 2021

	Note	Unaudited Attributable to the Company's shareholders			
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2021		6,433	736,801	592,724	1,335,958
Comprehensive income					
Loss for the period		—	—	(8,653)	(8,653)
Other comprehensive income					
Fair value gains on financial assets at fair value through other comprehensive income		—	10,898	—	10,898
Total comprehensive income for the period ended 30 June 2021		—	10,898	(8,653)	2,245
Transaction with equity holders					
Equity-settled share option arrangement	18	—	157	—	157
Appropriation to statutory reserves		—	7,365	(7,365)	—
Total transaction with equity holders		—	7,522	(7,365)	157
Balance at 30 June 2021		6,433	755,220	576,706	1,338,359
Balance at 1 January 2020		5,758	553,231	587,771	1,146,760
Comprehensive income					
Profit for the period		—	—	50,255	50,255
Other comprehensive income					
Fair value gains on financial assets at fair value through other comprehensive income		—	19,000	—	19,000
Total comprehensive income for the period ended 30 June 2020		—	19,000	50,255	69,255
Transaction with equity holders					
Equity-settled share option arrangement	18	—	1,122	—	1,122
Appropriation to statutory reserves		—	4,804	(4,804)	—
Total transaction with equity holders		—	5,926	(4,804)	1,122
Balance at 30 June 2020		5,758	578,157	633,222	1,217,137

The notes on pages 12 to 30 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	22,379	85,564
Income tax paid	(14,365)	(13,497)
Interest paid	(718)	—
Net cash generated from operating activities	7,296	72,067
Cash flows from investing activities		
Purchase of property, plant and equipment, including additions of construction-in-progress	(188,443)	(52,919)
Payments for term deposits	(68,271)	—
Payments for financial assets at fair value through other comprehensive income	(17,696)	(2,000)
Payments for investments accounted for using the equity method	(5,000)	—
Purchase of land use rights	(74)	(13,423)
Interest received	5,869	9,403
Proceeds from disposal of investments accounted for using the equity method	3,651	—
Proceeds from disposal of property, plant and equipment	667	1,820
Payments for financial assets at fair value through profit or loss	—	(56,197)
Net cash used in investing activities	(269,297)	(113,316)
Cash flows from financing activities		
Proceeds from bank borrowings	69,800	56,730
Pledged bank deposits	14,325	(254,738)
Repayment of bank borrowings	(52,199)	—
Repayment of lease liabilities	—	(773)
Net cash generated from/(used in) financing activities	31,926	(198,781)
Net decrease in cash and cash equivalents	(230,075)	(240,030)
Cash and cash equivalents at beginning of the period	547,241	732,033
Effect of foreign exchange rate changes in cash and cash equivalents	(2,523)	8,639
Cash and cash equivalents at 30 June	314,643	500,642

The notes on pages 12 to 30 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 2021

1. GENERAL INFORMATION

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

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

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

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

This interim condensed consolidated financial information has been approved for issue by the Board of Directors on 13 August 2021.

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 2021 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 2020, 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 2020 and the corresponding interim financial period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

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

Standards	Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, Interest Rate Benchmark Reform HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	1 January 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(b) New and amended standards that might be relevant to the Group that have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group.**

Standards		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

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

4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information 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 2020.

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.

At 30 June 2021	Unaudited					Total RMB'000
	Less than 1 year and Between 1 and 2 years and 5 years and Over 5 years				Total	
	1 year RMB'000	2 years RMB'000	5 years RMB'000	Over 5 years RMB'000		
Trade payables	62,916	—	—	—	62,916	
Other payables (excluding non-financial liabilities)	124,985	—	—	—	124,985	
Borrowings	90,762	—	—	—	90,762	
Lease liabilities	—	—	1,647	7,137	8,784	
	278,663	—	1,647	7,137	287,447	

At 31 December 2020	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		
Trade payables	86,347	—	—	—	86,347	
Other payables (excluding non-financial liabilities)	136,473	—	—	—	136,473	
Borrowings	70,805	—	—	—	70,805	
Lease liabilities	1,141	421	1,098	7,686	10,346	
	294,766	421	1,098	7,686	303,971	

5. FINANCIAL RISK MANAGEMENT *(Continued)***5.3 Fair value estimation of financial instruments**

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

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

The following table presents the Group's financial assets that are measured at fair value at 30 June 2021:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Financial assets		
Financial assets at fair value through other comprehensive income (" FVOCI ")		
— Level 3	93,899	61,610
Financial assets at fair value through profit or loss (" FVPL ")		
— Level 3	58,879	56,942
	152,778	118,552

During the six months ended 30 June 2021, there are no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2021:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Opening balance	118,552	23,146
Additions-FVOCI	17,696	9,800
Additions-FVPL	—	56,197
Fair value changes — gain to profit or loss	1,937	745
Fair value changes — gain to comprehensive income	14,593	28,664
Closing balance	152,778	118,552

5. FINANCIAL RISK MANAGEMENT *(Continued)*

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

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

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

6. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

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

The Board of Directors of the Company monitors the gross profit of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the Board of Directors of the Company for review.

6. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2021 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	314,601	108,542	43,438	39,039	505,620
Cost of goods sold	(221,552)	(80,297)	(29,975)	(44,022)	(375,846)
Results of reportable segments	93,049	28,245	13,463	(4,983)	129,774

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

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

Other segment information is as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

6. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2020 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	276,573	119,235	36,003	13,687	445,498
Cost of goods sold	(184,195)	(73,820)	(24,416)	(9,002)	(291,433)
Results of reportable segments	92,378	45,415	11,587	4,685	154,065

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

Results of reportable segments	154,065
Distribution and selling expenses	(67,043)
Administrative expenses	(44,840)
Net impairment losses on financial assets	(1,933)
Other income and other gains — net	9,128
Finance income — net	17,898
Share of net loss of investments accounted for using the equity method	(1,379)
Profit before income tax	65,896
Income tax expense	(15,641)
Profit for the period	50,255

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	8,305	3,087	1,291	363	13,046
Unallocated					1,984
					15,030
Capital expenditure					
Allocated	16,285	3,661	1,131	—	21,077
Unallocated					43,708
					64,785

6. SEGMENT INFORMATION *(Continued)***Geographical information**

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

Major customer

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

7. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Raw materials and consumables used	244,373	200,976
Changes in inventories of work-in-progress and finished goods	40,820	10,127
Employee benefit expense, including directors' emoluments	104,312	79,815
Transportation and packaging expenses	35,070	24,409
Utilities and various office expenses	35,043	34,703
Depreciation of property, plant and equipment (note 13)	19,776	13,250
Travelling expenses	9,381	6,676
Marketing and advertising expenses	6,065	12,650
Repair and maintenance expenses	4,470	1,857
Rental expenses for leases of properties (note 14)	2,820	3,191
Amortisation of right-of-use assets (note 14)	1,237	1,653
Auditor's remuneration	450	450
Amortisation of intangible assets (note 13)	228	127
(Reversal of)/provision for decline in value of inventories	(2,757)	2,780
Others	18,002	10,652
Total cost of sales, distribution and selling expenses and administrative expenses	519,290	403,316

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

8. OTHER INCOME AND OTHER GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants	10,737	7,417
(Losses)/gains on disposal of property, plant and equipment — net	(423)	1,337
Net fair value gains/(losses) on financial assets at fair value through at fair value through profit or loss (note 5.3)	1,937	(449)
Exchange (losses)/gains from operating activities — net	(26)	220
Others	532	603
	12,757	9,128

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

9. FINANCE INCOME AND FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	5,869	9,403
Exchange gains	—	8,639
	5,869	18,042
Finance costs:		
Exchange losses	(2,523)	—
Interest expense for borrowings	(931)	(27)
Interest expense for lease liabilities (note 14)	(116)	(9)
Other finance charges	(338)	(108)
	(3,908)	(144)
Finance income — net	1,961	17,898

10. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current income tax	363	16,404
Deferred income tax, net	12,290	(763)
Income tax expense	12,653	15,641

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2019/20 onwards, the Group's first HK\$2 million of assessable profits under Hong Kong profits tax during the six months ended 30 June 2021 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% (2020: 25%).

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

The profits of the Mainland China subsidiaries of the Group derived since 1 January 2008 are subject to withholding income tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. The Group provides for the deferred income tax liabilities on the unremitted earnings except for those amount expected to be reinvested. As at 30 June 2021, deferred income tax liabilities of approximately RMB2,970,000 (31 December 2020: RMB5,068,000) have not been recognised for the withholding income tax that would be payable on the unremitted earnings amounting to RMB59,409,000 (31 December 2020: RMB101,362,000) of certain Mainland China subsidiaries of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

11. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
(Loss)/profit attributable to shareholders of the Company (RMB'000)	(8,653)	50,255
Weighted average number of ordinary shares for basic (loss)/earnings per share	755,096,557	675,096,557
Basic (loss)/earnings per share	RMB(0.011)	RMB0.074

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised of share options.

	Unaudited	
	Six months ended 30 June	
	2021	2020
(Loss)/profit attributable to shareholders of the Company (RMB'000)	(8,653)	50,255
Weighted average number of ordinary shares in issue	755,096,557	675,096,557
Adjustments for share options	—	424,478
Weighted average number of ordinary shares for diluted (loss)/earnings per share	755,096,557	675,521,035
Diluted (loss)/earnings per share	RMB(0.011)	RMB0.074

12. DIVIDENDS

At a meeting of the Board of Directors held on 13 August 2021, the Directors resolved not to declare an interim dividend to shareholders for the six months ended 30 June 2021 (2020: Nil).

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

	Unaudited		
	Property, plant and equipment RMB'000	Construction-in progress RMB'000	Intangible assets RMB'000
At 1 January 2021	402,413	231,452	2,502
Additions	50,977	113,303	441
Transfers	35,969	(35,969)	—
Disposals	(1,090)	—	—
Depreciation/amortisation	(19,776)	—	(228)
At 30 June 2021	468,493	308,786	2,715
At 1 January 2020	247,600	112,075	2,179
Additions	5,170	38,855	—
Transfers	88,467	(88,467)	—
Disposals	(483)	—	—
Depreciation/amortisation	(13,250)	—	(127)
At 30 June 2020	327,504	62,463	2,052

As at 30 June 2021, certain land use rights (note 14) and buildings of the Group, with a total net book value of RMB78,492,000 (31 December 2020: RMB14,966,000), were pledged as security for borrowings of the Group amounting to RMB79,800,000 (31 December 2020: RMB10,000,000) as disclosed in note 20.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

14. LEASES

(i) Amounts recognised in the consolidated balance sheet

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Right-of-use assets		
Buildings	5,789	7,587
Land use rights	77,493	78,351
	83,282	85,938
Lease liabilities		
Buildings		
— Current	—	1,108
— Non-current	6,358	6,654
	6,358	7,762

As at 30 June 2021, certain land lots of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China, with carrying amount of approximately RMB6,340,000 (31 December 2020: RMB6,414,000), were still in the process of applying for the ownership certificates.

(ii) Amounts recognised in the consolidated income statement

	Unaudited Six months ended 30 June			2020		
	Buildings	Land use rights	Total	Buildings	Land use rights	Total
Amortisation charges						
Cost of goods sold	—	—	—	473	—	473
Administrative expenses	305	932	1,237	377	803	1,180
	305	932	1,237	850	803	1,653
Interest expense			116			9
Operating lease expenses in respect of buildings (Note 7)			2,820			3,191
Total charges to income statement			4,173			4,853

The total cash outflow for leases during the period, not considering the receipt of government grant, was RMB3,574,000 (2020: RMB773,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

15. TRADE RECEIVABLES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Trade receivables	9,033	12,496
Less: provision for impairment	(47)	(1,456)
Trade receivables, net	8,986	11,040

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 2020 and 30 June 2021 was as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Within 30 days	2,783	9,792
31-180 days	6,188	1,251
Over 365 days	62	1,453
	9,033	12,496

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. As the credit terms are short and most of the trade receivables are due for settlement within one year, the carrying value of the trade receivables approximated their fair values as at the balance sheet date.

16. CASH AND BANK BALANCES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Cash and cash equivalents	314,643	547,241
Restricted bank deposits — current	51,621	65,946
Term deposits — current	166,102	97,831
Total	532,366	711,018

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

The restricted bank deposits are deposits held at bank for bank facilities and secured bank overdraft of the Group (note 20).

The term deposits — current have original maturities over three months and within one year at inception.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

17. SHARE CAPITAL

	Unaudited			
	2021 Shares	2021 RMB'000	2020 Shares	2020 RMB'000
As at 1 January	755,096,557	6,433	675,096,557	5,758
Issue of shares	—	—	—	—
As at 30 June	755,096,557	6,433	675,096,557	5,758

18. SHARE OPTION SCHEME

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

On 6 June 2017, 9,630,000 share options to subscribe for a total of 9,630,000 ordinary shares of the Company at an exercise price of HK\$2.56 per share were granted to a director and certain employees of the Group pursuant to the Scheme. Out of the 9,630,000 options, 9,480,000 options were accepted by the grantees.

On 16 August 2018, 11,000,000 share options to subscribe for a total of 11,000,000 ordinary shares of the Company at an exercise price of HK\$2.31 per share were granted to two directors and certain employees of the Group pursuant to the Scheme. All options were accepted by the grantees.

Movements in the number of share options granted are as follows:

	Options granted on 6 June 2017 Number of Options	Options granted on 16 August 2018 Number of Options	Total Number of Options
At 1 January 2021	4,900,000	6,760,000	11,660,000
Cancelled/lapsed during the period	(350,000)	(520,000)	(870,000)
At 30 June 2021	4,550,000	6,240,000	10,790,000
At 1 January 2020	5,350,000	7,620,000	12,970,000
Cancelled/lapsed during the period	(170,000)	(510,000)	(680,000)
At 30 June 2020	5,180,000	7,110,000	12,290,000

18. SHARE OPTION SCHEME (Continued)

Share options outstanding as at 30 June 2021 have the following expiry dates and exercise prices:

Grant date	Exercisable date	Expiry date	Exercise price	Number of share options 30 June 2021
6 June 2017	7 June 2019	6 June 2022	HK\$2.56	2,275,000
6 June 2017	7 June 2020	6 June 2022	HK\$2.56	2,275,000
16 August 2018	17 August 2020	16 August 2023	HK\$2.31	3,120,000
16 August 2018	17 August 2021	16 August 2023	HK\$2.31	3,120,000
Total				10,790,000

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 2021 amounted to RMB157,000 (six months ended 30 June 2020: RMB1,122,000), and the remaining unamortised fair value of share options granted of approximately RMB120,000 (30 June 2020: RMB1,349,000) 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 the 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

19. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Within 30 days	61,153	83,961
31 - 180 days	1,763	2,386
	62,916	86,347

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

20. BORROWINGS

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Current		
Short-term bank loans — unsecured	8,000	8,000
Short-term bank loans — secured	79,800	10,000
Bank overdraft, secured	—	52,199
Total borrowings	87,800	70,199

The secured short term bank loans of the Group as at 30 June 2021 and 31 December 2020 were secured by the Group's land use rights and buildings (note 13).

The bank overdraft of the Group as at 31 December 2020 were secured by restricted bank deposits of the Group (note 16).

For the six months ended 30 June 2021, the weighted average effective interest rates on borrowings were 3.21% (year ended 31 December 2020: 2.48%).

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

During the six months ended 30 June 2021, movements in borrowings are analysed as follows:

	Unaudited 2021	2020
As at 1 January	70,199	—
Proceeds from borrowings	69,800	56,730
Repayment of borrowings	(52,199)	—
As at 30 June	87,800	56,730

21. COMMITMENTS

As at 30 June 2021 and 31 December 2020, the Group had the following commitments:

(a) Capital commitments

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Contracted but not provided for in respect of:		
Machinery and equipment	55,142	62,063
Buildings and land use rights	237,980	316,582
	293,122	378,645

(b) Other commitments

As at 30 June 2021 and 31 December 2020, the Group had future aggregate minimum lease payments under non-cancellable operating leases and other non-cancellable contracts as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Not later than 1 year	1,841	1,097
Later than 1 year and not later than 5 years	1,641	—
	3,482	1,097

As at 30 June 2021 and 31 December 2020, the operating leases were in respect of the lease of SAP system and short-term office leases.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

22. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

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

(a) Transactions with related parties

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Leases of offices		
— Lianjie Sports Investments Limited ("Lianjie Sports")	200	217
— Lianjie Investments Group Limited ("Lianjie Investments")	1,241	1,318
	1,441	1,535

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 2021, the key management comprised the directors (excluding independent non-executive directors) and certain senior management, and their compensation amounted to approximately RMB2,163,000 (2020: RMB1,951,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

In the first half of 2021, the Group continued to develop its businesses and focused on establishing a more solid foundation to support its future development and growth. The key development accomplishments during the period are as follows:

- Overall business of the Group continued to grow, with revenue in the first half of 2021 increased by 13.5% over the same period last year.
- Continuing growth in e-commerce business, with revenue in the first half of 2021 increased by 1.7 times over the same period last year, representing 8.4% of total revenue in the first half of 2021.
- The Group continued to achieve success in strategic investments in a number of fast-growing consumer goods companies with their fair value increased by RMB14.6 million in the first half of 2021.
- In the second half of 2020 and the first half of 2021, the Group completed the development and construction of four new production bases in different areas of the PRC, to enhance the Group’s production capacity, quality and efficiency, and to further expand product sales in the local surrounding areas.

INDUSTRY ENVIRONMENT

The outbreak of the COVID-19 pandemic has brought upon challenges and uncertainty on China's economic development. Under the impact of the pandemic, the food and snacks industry was also facing new challenges and opportunities with the gradual changes in working and consumption habits of people in PRC.

Although the pandemic in Mainland China continued to be under control, the overall economy as well as the food and snacks industry remained challenging. The Group believes that the food and snacks industry in PRC is still with great appeal and development potential. With the increase in consumers' health awareness and income level, new market opportunities are developing. 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 constantly focus on product innovation and product quality improvement and introduce new products timely to adapt to changes in consumers' demand and preferences. In addition, sales and distribution channels are undergoing structural adjustments, in particular with the impact of the pandemic and new online and offline channels, resulting in the need for improvement in corporate sales and marketing strategies.

BUSINESS OVERVIEW

The Group continued to focus its efforts on increasing revenue growth with the aim to drive its long-term corporate development and future profit growth. In the first half of 2021, the Group's total revenue was approximately RMB505.6 million (first half of 2020: RMB445.5 million), representing an increase of 13.5% over the same period last year. The increase in revenue was mainly due to the growth in product sales volume, which in turn was mainly attributable to the Group's continuous adjustments on product mix and sales strategies, and its focus on new product development to enrich the product portfolio, so as to increase overall product sales volume and market share. Moreover, the Group strategically invested additional efforts and resources into e-commerce channels which led to an increase in revenue of e-commerce business.

Although there was an increase in revenue in the first half of 2021, both the gross profit and gross profit margin for the period dropped. The gross profit for the period was approximately RMB129.8 million (first half of 2020: RMB154.1 million), representing a decrease of 15.8% over the same period last year; while the gross profit margin was 25.7% (first half of 2020: 34.6%), representing a decrease of approximately 8.9 percentage points over the same period of last year. In addition, in the first half of 2021, the Group recorded the loss attributable to the shareholders of the Company of approximately RMB8.7 million, while as of the same period in 2020, the Group recorded a consolidated net profit of approximately RMB50.3 million. The main reasons for such change were as follows:

- (i) the Group strategically invested additional efforts and resources into e-commerce channels to achieve sales volume growth and increased the percentage of new retail channels in the Group's total revenue to facilitate further long-term growth of the Group's business. As such, the revenue from e-commerce business increased during the current period, representing approximately 8.4% of the Group's total revenue for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 3.6%). However, the products sold by the Group through e-commerce channels carried a lower net selling price due to higher intensity of product promotional activities and channel expenses, including volume discounts, free gifts and other expenses payable to online platforms which have been deducted from the gross revenue. In addition, e-commerce business incurred higher distribution costs and resulted a net loss in the e-commerce business of approximately RMB16.7 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: net loss of RMB0.4 million);
- (ii) the Group's four new production bases in Mainland China have commenced operations in the second half of 2020 and the first half of 2021. This resulted in an increase in production costs and administrative expenses as it would take time to achieve economies of scale, which reduced the Group's net profit for the period by approximately RMB15.8 million;

- (iii) the increase in unit production costs for the Group's products in the first half of 2021, mainly attributable to the increase in certain raw material prices, manufacturing overheads from the deployment of new production equipment and labor costs increase due to the increase in overall wages, which reduced the Group's net profit for the period by approximately RMB13.0 million; and
- (iv) as the Hong Kong dollar ("HKD") and the United States Dollar ("USD") depreciated against the Renminbi ("RMB") during the six months ended 30 June 2021, the Group recorded a foreign exchange loss in relation to its cash and bank balances denominated in HKD and USD totaling approximately RMB2.5 million, whereas a foreign exchange gain of approximately RMB8.6 million was recorded in the corresponding period in 2020 when HKD and USD appreciated against RMB.

As of the first half of 2021, there was an increase in the fair value of the Group's investments in a number of consumer goods companies with fast-growing potential and synergy with the Group's business. As a result, the Group recorded a fair value gain through comprehensive income (after deduction of related income tax provision) of RMB10.9 million in the first half of 2021.

Jelly products

Sales of jelly products for the first half of 2021 were approximately RMB314.6 million (first half of 2020: RMB276.6 million), representing an increase of 13.7% over the same period last year, and accounting for 62.2% (first half of 2020: 62.1%) of total revenue of the Group. Gross profit margin was 29.6% (first half of 2020: 33.4%), representing a decrease of approximately 3.8 percentage points as compared with the same period of last year.

In the first half of 2021, the Group continued to adjust its product mix, on the basis of its existing products, developing and launching new products, including products such as 「乳益悠悠」, 「小芯意擠擠果凍」, 「小小可吸果凍」, 「濃郁芝士布丁」 and 「乳酸菌味棒冰棒」。As the target promotion products of new jelly products, 「乳益悠悠」 and 「小芯意擠擠果凍」 used the new squeeze-bag for individual packaging instead of the small-cup packaging, and consumers can enjoy a new experience that is safer, hygiene, healthier and more convenient. The 「小Q仔布丁」, which targets the children's market, also completed the appearance and packaging upgrade of the entire series of product during the period. After the addition of new products, new flavors and packaging upgrade, jelly products have a richer variety. During the period, the Group slightly lowered the net selling price of certain products to increase product sales volume, resulting in the increase in both revenue and gross profit of new products and existing products. However, as the selling prices of certain products decreased and there was also an increase in certain raw material prices, manufacturing overheads from the deployment of new production equipment and labor costs (due to the increase in overall wages) during the period, resulting in an increase in the unit production cost of the Group's products and a decrease in gross profit margin.



Crackers and Chips

Sales of crackers and chips for the first half of 2021 were approximately RMB108.5 million (first half of 2020: RMB119.2 million), representing a decrease of 9.0% as compared with the same period of last year and accounting for 21.5% (first half of 2020: 26.8%) of the total revenue of the Group. The gross profit margin was 26.0% (first half of 2020: 38.1%), representing a decrease of approximately 12.1 percentage points as compared with the same period of last year.

During the period, the performance of crackers and chips business was relatively unsatisfactory, mainly due to a decline in overall product sales volume and the increase in production costs. The Group's resources allocated to the point-of-sales and related sales strategy were tended towards the launching and marketing of its new products, including「雞味塊」,「親親圈」,「洋葱圈」and「薯片」, during the period to facilitate its expansion. As consumers' acceptance and sales volume of new products have yet to be more developed, and sales of key existing products have decreased during the period due to less point-of-sales resources were allocated towards these existing products, which led to a decrease in sales revenue of crackers and chips during the period. In addition, there was also an increase in certain raw material prices, manufacturing overheads from the deployment of new production equipment and labor costs (due to the increase in overall wages) during the period, resulting in an increase in the unit production cost of the Group's products and a decrease in gross profit margin.



Seasoning Products

Sales of seasoning products for the first half of 2021 were approximately RMB43.4 million (first half of 2020: RMB36.0 million), representing an increase of 20.7 % as compared with the same period of last year and accounting for 8.6 % (first half of 2020: 8.1%) of the total revenue of the Group. The gross profit margin was 31.0% (first half of 2020: 32.2%), representing a decrease of approximately 1.2 percentage points as compared with the same period of last year.

In the first half of 2021, the consumption habits of consumers gradually changed due the impact of the pandemic, thus created a stay-at-home culture and demand for home cooking have also increased. The Group focused on increasing resources into its point-of-sales and developed more seasoning products for households, which led to an increase in sales volume, sale revenue and gross profit during the period. As additional expenses and other promotion expenditure were incurred on its point-of-sales supported from its sales strategy, despite the proportion of high-margin products increased, the gross profit margin still slightly dropped during the period.

Confectionery and Other Products

Sales of confectionery and other products for the first half of 2021 were approximately RMB39.0 million (first half of 2020: RMB13.7 million), representing an increase of 1.9 times as compared with the same period of last year and accounting for 7.7% (first half of 2020: 3.1%) of the total revenue of the Group. During the period, the significant growth in revenue was mainly attributable to the increase in sales from “A Snack Shop (親親物語)” brand product business, other new snack food products such as seafood type snack food, bakery products and rice wine and sesame candy products. As the new products under this segment were mainly sold through e-commerce channels and the products sold through e-commerce channels carried a lower net selling price due to higher intensity of product promotional activities and channel expenses, including volume discounts, free gifts and other expenses payable to online platforms which have been deducted from the gross revenue, thus resulted in gross loss for the Group. Moreover, the Group’s new production bases for its rice wine and sesame candy business in Mainland China have just commenced operations in the second half of 2020, more time would be required to achieve more product sales. This resulted in an increase in production costs and administrative expenses during the period as it would take time to achieve economies of scale. Due to the above reasons, the gross profit margin of confectionery and other products was -12.8% (first half of 2020: 34.2%).

Strategic Development Investment Projects

As part of the strategic development plans and business expansion strategies of the Group, the Group has invested in a number of consumer goods companies with fast-growing potential and synergy with the Group’s business. These companies mainly engage in the production or sale of food, beverage and alcohol products in the PRC and abroad.

In the first half of 2021, the Group recorded a fair value gain through comprehensive income of RMB10.9 million due to the increase in fair value of these investments. The Group believes that the strategic investments in these companies will be beneficial to the long-term development and industrial layout of the Group.

Product Development and Upgrade

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

For jelly products, 「乳益悠悠」 and 「小芯意擠擠果凍」 were mainly promoted to target younger mothers and children market while the products such as 「蒟蒻果凍」, 「小Q仔布丁」 which targets the children market. The Group believes that the continuous launching and distribution of new products to the market will be beneficial to the continuing development and growth of its jelly product business.

For crackers and chips, while maintaining its leading position in seafood crackers and chips, the Group will continue to promote its newly-developed products. Through a series of upgrades in terms of production processes, packaging, product and flavour, the Group sought to enhance its brand influence and market share as well as upgraded its product quality by improving tastes and expanding flavours to cater to the preferences of young consumers and regional features. Meanwhile, the Group has also been enriching the diversified layout of production bases and production equipment, optimising the Group’s supply chain system, and stabilising the Group’s leading position in the market.

For seasoning products, the Group will continue to adopt “make cooking easier” as the target goal for its product and brand development. The Group will aim to increase the proportion of high-margin products through a series of upgrades on packaging and to increase market share and brand influence. The Group will continue to step up the promotion of its seasoning products in two channels, namely the catering market and the household market, and to launch products to meet the demands of the catering and household markets. Meanwhile, with the aim of seeking market opportunities and new growth drivers in the process of industrialisation of the catering industry, the Group will continue to provide customised products and services to catering chain customers and catering supply chain customers.

For other snacks products, the Group will continue to develop new snack food, including candy, chocolate, biscuits and bakery snacks in the second half of 2021. For sesame candy and rice wine, the Group has engaged a senior product research and development team and an excellent design team to further develop and research sesame candy and rice wine, with the goal of creating healthy and diversified rice wine as well as cultural brands, and to expand its products to rice wine for snacks and rice wine for drinks.

Promotion and Marketing

The Group continued to make adjustments to its promotion and marketing strategies and extended its promotion and marketing activities into different promotion and advertising channels.

The Group appointed up-and-coming actor Jin Haochen (金瀚辰) as its brand ambassador to appear in commercials for its 「蒟蒻果凍」 and Qinqin prawn cracker.

The Group made full use of social media including WeChat, Weibo, TikTok, Xiaohongshu and bilibili to establish effective interaction with young consumers, took an advantage of fan economy and built a private community for large-scale marketing exposure to increase its brand awareness. In terms of sales channels, 「蒟蒻可吸凍」 and 「小芯意果凍」 were mainly promoted through e-commerce and convenience stores in first and second tier cities based on the behavioral changes of young consumers of this generation, being favourable and competitive in the market in the PRC.

In addition, the Group will continue to cooperate with certain of its strategic investment partners to jointly promote the Group’s and their products on both e-commerce channels and food fairs and exhibition to attract new customers.

Channel Expansion

Along with product upgrades, the Group continued to broaden its existing distributors network by expanding to new channels such as snack food branded stores, convenience stores, campus snack stores, gas stations.

Based on the Group’s strategic decision, the Group increased the intensity of internet marketing and product promotional activities for its e-commerce business in the first half of 2021 with the aim to achieve sales volume growth and increase market share. However, products sold by the Group through e-commerce channels carried a lower net selling price due to higher intensity of product promotional activities and channel expenses. This results in a net loss in e-commerce business during the current period. The Group will further develop and allocate more high margin products for sales through e-commerce channels. In addition, the Group will continue to actively work with new retailers including Alibaba, JD and Pinduoduo to develop new retail channels, which the Group believes it can build on this foundation to achieve a further growth in this business and bring additional profits to the Group in the future.

Production Facilities Improvement

The Group has formulated a clear development plan for its production facilities and equipment. In the second half of 2020 and the first half of 2021, the Group completed the development and construction of four new production bases located in different regions in the PRC including Xiaogan City, Hubei Province, Jining City, Shandong Province, Meishan City, Sichuan Province and Guyuan City, Ningxia. This has improved the production capacity, quality and efficiency of the Group in order to meet the long-term development of the Group, and it will further expand the sales of products in the local surrounding areas. The total capital expenditure in the first half of 2021 was approximately RMB164.8 million.

Since the new production bases have just commenced operations, it will take time to achieve economies of scale, leading to an increase in production costs and administrative expenses during the period, which is expected to have an impact on the short-term performance of the Group. However, the Group believes that the long-term development and future profit growth of the enterprise will be driven by the optimisation of the Group's resources, the construction and renovation of plants, equipment upgrades to improve its production facilities, production processes and product quality, as well as the improvement of production capacity and efficiency.

The Group aimed to reduce the impact of increasing labour costs by increasing the level of our production facilities automation. The Group continued to conduct "equipment transformation, production process enhancement, quality improvement" for its production facilities and cooperated with various foreign equipment enterprises for bringing in production lines including jelly products as well as crackers and chips with the world advanced standards. The Group believes that a highly automated production process with technologically-more-advanced equipment will allow the Group to reduce its reliance on labour, improve production efficiency and accelerate the time-to-market for our products. In addition, the Group continued to adopt measures to save energy and lower consumption and products defective rate.

The Group strived to provide consumers with healthy and safe products, and it has always strictly complied with the stringent international production standards. Hence, the Group has been awarded the HALAL, SC, KOSHER and ISO9001 certifications in respect of its production facilities, quality control and management system.

FUTURE PROSPECTS AND STRATEGIES

The Group's strategic initiatives in recent years, particularly to stay focus on investing in new products, e-commerce business, information management system and new production facilities and equipment, has laid a firm foundation for the next chapter in the Group's business development.

Although the market is full of challenges, we are looking forward to the future as the Group will continue to focus our efforts in the following areas, to drive further growth of the Group's business and thereby creating greater value for its shareholders.

- Capture the opportunities of consumer upgrades through continuous product innovations, thereby adhering to its diversified product strategies, focusing on enhancement of product quality, optimisation of product portfolio and strengthening market position of our key products in terms of operation.
- Expand our distribution channels, strengthen our traditional distribution network, develop and allocate more high margin products for sales through e-commerce channels and further develop other new market access such as snack food branded stores and restaurants channels in order to increase market penetration.

- Continued to complete the construction and transformation of our production bases and upgrade equipment to improve production facilities, production processes and product quality and to enhance production capacity and efficiency that will meet the long-term development of the Group.
- Refine internal management process, strengthen the integration of various softwares, invest in talent development and information management system to raise corporate management standards, improve the Group's operating efficiency and core competitiveness, and to enhance sustainable development of the Group.
- Explore investment opportunities in consumer goods companies with fast-growing potential and synergy with the Group's business, alliances with strategic investment partners to facilitate long-term development and business growth of the Group.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 30 June 2021. As at 30 June 2021, the Group had cash and bank balances of RMB532.4 million (31 December 2020: RMB711.0 million) and bank borrowings of RMB87.8 million (31 December 2020: RMB70.2 million).

As at 30 June 2021, the Group's working capital or net current assets were RMB342.0 million (31 December 2020: RMB492.6 million). The current ratio, represented by current assets divided by current liabilities, was 1.9 (31 December 2020: 2.0). The Group's total equity was RMB1,338.4 million (31 December 2020: RMB1,336.0 million), representing an increase of 0.2%.

Cash and bank balances were mainly denominated in Hong Kong dollars ("**HKD**"), United States dollars ("**USD**") and Chinese Renminbi ("**RMB**"). As at 30 June 2021, pledged bank deposits of HKD62.0 million (equivalent to RMB51.6 million) (31 December 2020: RMB66.0 million) were being used as the security for a banking facility of USD8.0 million (equivalent to RMB51.7 million) (31 December 2020: RMB52.2 million) granted by a bank for certain short term credit facility arrangement.

As part of treasury management activities with respect to the Group's surplus cash assets, the Group has invested, at fair value, of RMB58.9 million as at 30 June 2021 (31 December 2020: RMB56.9 million) in units in investment funds measured at fair value through profit or loss. During the period under review, there was a net gain of RMB1.9 million (first half of 2020: net deficit of RMB0.5 million) recorded in profit or loss due to the fair value change of these investments.

As at 30 June 2021, the Group's bank borrowings denominated in RMB bore fixed interest rates ranged from 2.55% to 3.55% per annum. As the Group was in net cash position as at 30 June 2021 and 31 December 2020, no gearing ratio was presented.

COMMITMENTS AND CONTINGENCIES

As at 30 June 2021, the Group had total capital commitments (contracted but not provided for) of RMB293.1 million (31 December 2020: RMB378.6 million).

As at 30 June 2021, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB3.5 million (31 December 2020: RMB1.1 million).

The Group had no material contingent liabilities as at 30 June 2021 and 31 December 2020.

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

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

CHARGE ON ASSETS

As at 30 June 2021, certain land use rights and buildings of the Group with net book value of RMB78.5 million (31 December 2020: RMB15.0 million) were pledged for bank borrowings of RMB79.8 million (31 December 2020: RMB10.0 million). In addition, the Group had a banking facility of USD8.0 million (equivalent to RMB 51.7 million) (31 December 2020: RMB52.2 million) granted by a bank for certain short term credit facility arrangement which was pledged by the bank deposits of the Group in the amount of HKD62.0 million (equivalent to RMB51.6 million) (31 December 2020: RMB66.0 million) as at 30 June 2021.

HUMAN RESOURCES AND MANAGEMENT

As at 30 June 2021, the Group had approximately 2,600 (30 June 2020: 2,400) employees. For the period under review, total employee benefit expenses, including directors' emoluments, was approximately RMB104.3 million (first half of 2020: RMB79.8 million). The increase in total employee benefit expenses was mainly attributable to the increase in number of employees during the period to facilitate the business expansion of the Group and salary increment.

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 bank balances, trade and other receivables and payables, and bank borrowings of the Group, which are denominated in HKD, USD and other currencies.

During the period under review, HKD and USD devalued against RMB. The Group recorded foreign exchange loss in relation to its cash and bank balances in HKD and USD totaling RMB2.5 million (first half of 2020: net foreign exchange gain totaling RMB8.6 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 2021 (30 June 2020: Nil).

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2021, the interest and short positions of the Directors in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) to be notified to the Company and the Stock Exchange were set out below:

Long positions in the shares of the Company (the “Shares”)

Name of Director	Note	Capacity/ Nature of interest	Number of Shares interested	Number of underlying Shares interested (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Hui Ching Lau	3	Interest of controlled corporation/corporate interest	375,559,535	—	49.74%
Mr. Sze Man Bok	4	Beneficial owner and founder of discretionary trust/personal and other interests	45,760,919	—	6.06%
Mr. Wu Huolu	5	Beneficial owner and interest of controlled corporation/personal and corporate interests	35,842,895	—	4.75%
Mr. Wong Wai Leung		Beneficial owner/personal interest	—	240,000	0.03%
Mr. Wu Wenxu		Beneficial owner/personal interest	—	220,000	0.03%

Notes:

- Underlying Shares represent share options granted to the directors pursuant to share option scheme of the Company and details of which are set out on pages 42.
- The percentages expressed are based on the total number of issued Shares of 755,096,557 as at 30 June 2021.
- These 375,559,535 Shares are held and owned by Sure Wonder Limited, which is wholly owned by Mr. Hui Ching Lau and accordingly, Mr. Hui Ching Lau is deemed to be interested in the said 375,559,535 Shares.
- These 45,760,919 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited (“Tin Lee”) and 115,120 Shares held and owned by Mr. Sze Man Bok. Tin Lee is a wholly owned subsidiary of Tin Wing Holdings Limited, which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze’s Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze’s Family Trust and accordingly, is deemed to be interested in the said 45,645,799 Shares.

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

Save as disclosed above, none of the Directors or chief executive had, as at 30 June 2021, have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 30 June 2021, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the Shares and the underlying Shares, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or to be notified to the Company, were as follows:

Long Positions in the Shares of the Company

Name of Substantial Shareholder	Note	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of interest in the Company (Note 1)
Sure Wonder Limited	2	Beneficial owner/beneficial interest	375,559,535	49.74%
Tin Lee Investments Limited	3	Beneficial owner/beneficial interest	45,645,799	6.05%
Tin Wing Holdings Limited	3	Interests of controlled corporation/ corporate interest	45,645,799	6.05%
Serangoon Limited	3,4	Nominee for another person/ other interest	53,834,099	7.13%
Seletar Limited	3,4	Nominee for another person/ other interest	53,834,099	7.13%
Credit Suisse Trust Limited	3,4	Trustee/other interest	53,834,099	7.13%

Notes:

- The percentages expressed are based on the total number of issued Shares of 755,096,557 as at 30 June 2021.
- Mr. Hui Ching Lau, the Chairman and executive Director of the Company, is the sole director and sole shareholder of Sure Wonder Limited. His interest in Shares is disclosed in the "Directors' Interests in Securities" above.
- Tin Lee Investments Limited is a wholly owned subsidiary of Tin Wing Holdings Limited which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Each of Tin Wing Holdings Limited, Seletar Limited, Serangoon Limited and Credit Suisse Trust Limited, and Mr. Sze Man Bok are deemed to be interested in 45,645,799 Shares held and owned by Tin Lee Investments Limited under the SFO. Mr. Sze's interest in Shares is disclosed in the "Directors' Interests in Securities" above.
- These 53,834,099 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited (under the Sze's Family Trust) and 8,188,300 held by other trusts. As stated in note 3 above, Seletar Limited and Serangoon Limited have deemed interests in these Shares on trust for Credit Suisse Trust Limited, being trustee of the said trusts, and accordingly, each of them are deemed to be interested in these Shares under the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Scheme”) on 16 May 2017 which is valid and effective for a period of 10 years commencing on the date of adoption of the Scheme. The table below sets out movements in the share options granted under the Scheme during the six months ended 30 June 2021:

Eligible person	Number of share options				Balance as at 30/6/2021	Exercise price per share HK\$	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)
	Balance as at 1/1/2021	Granted during the period	Exercised during the period	Cancelled or lapsed during the period				
Directors								
Mr. Wong Wai Leung	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2019–06/06/2022
	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2020–06/06/2022
	60,000	—	—	—	60,000	2.31	16/08/2018	17/08/2020–16/08/2023
	60,000	—	—	—	60,000	2.31	16/08/2018	17/08/2021–16/08/2023
Mr. Wu Wenxu	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2019–06/06/2022
	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2020–06/06/2022
	50,000	—	—	—	50,000	2.31	16/08/2018	17/08/2020–16/08/2023
	50,000	—	—	—	50,000	2.31	16/08/2018	17/08/2021–16/08/2023
Other employees								
	2,330,000	—	—	(175,000)	2,155,000	2.56	06/06/2017	07/06/2019–06/06/2022
	2,330,000	—	—	(175,000)	2,155,000	2.56	06/06/2017	07/06/2020–06/06/2022
	3,270,000	—	—	(260,000)	3,010,000	2.31	16/08/2018	17/08/2020–16/08/2023
	3,270,000	—	—	(260,000)	3,010,000	2.31	16/08/2018	17/08/2021–16/08/2023
	11,660,000	—	—	(870,000)	10,790,000			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of exercise period.
2. The closing price of the Shares immediately before the date on which the share options being granted on 6 June 2017 and 16 August 2018 was HK\$2.56 and HK\$2.29 respectively.

According to the Binomial Model, the fair value of the option granted, which had been charged to the consolidated income statement for the six months ended 30 June 2021, amounted to approximately RMB157,000 and the remaining unamortised fair value of approximately RMB120,000 will be charged to the consolidated income statement in future. The calculation of fair value of the share options granted and the basis and assumption used for such calculation are set out in note 18 to this report.

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

CORPORATE GOVERNANCE CODE

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

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

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 2021 and, where appropriate, the applicable recommended best practices of the CG Code, except that the Chairman, Mr. Hui Ching Lau, also oversaw the responsibilities of the Chief Executive Officer ("CEO") of the Group prior to Mr. Wu Wenxu's appointment as the CEO on 6 May 2021. Under the code provision A.2.1 of the CG Code, the roles of the Chairman and the CEO should be separate and should not be performed by the same individual. In view of Mr. Hui Ching Lau is the Chairman and executive director of the Company and he has accumulated over 16 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in April 2003, the Board believed that it was in the best interest of the Group to have Mr. Hui Ching Lau to oversee the responsibilities of the CEO with the support of the senior management team of the Group prior to the appointment of new CEO on 6 May 2021, thereafter, the Company complied with all the code provisions 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 2021.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of information of the Directors are set out below:

Executive Director - Mr. Hui Ching Lau

Mr. Hui has been appointed as the Chief Executive Officer of Hengan International Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1044) with effect from 18 August 2021.

Executive Director - Mr. Wong Wai Leung

On 12 May 2021, Mr. Wong resigned as an independent non-executive director of Zhongchang International Holdings Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 859).

Executive Director - Mr. Wu Wenxu

Mr. Wu's minimum annual remuneration has been increased from RMB382,200 to RMB560,420 with effect from 1 August 2021.

RAISING OF FUNDS AND USE OF PROCEEDS

- (a) Pursuant to the subscription agreements dated 22 March 2019 entered into between the Company and the subscribers, an aggregate of 104,400,000 ordinary shares of the Company of HKD0.01 each in the share capital of the Company (the “Shares”) were issued at HKD2.2 per Share (the “**2019 Subscription Price**”) to the subscribers on 1 April 2019 (the “**2019 Subscription**”). The aggregate nominal value of the Shares under the 2019 Subscription was HKD1,044,000. The 2019 Subscription Price represented (i) a premium of approximately 1.38% to the closing price of HKD2.17 per Share as quoted on the Stock Exchange on 21 March 2019, the date on which the terms of the subscription agreement were fixed; and (ii) a discount of approximately 1.43% to the average closing price of approximately HKD2.232 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 21 March 2019. The subscribers were independent professional or individual investors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the subscribers (and their respective ultimate beneficial owners, if applicable) were third parties independent of the Company and its connected persons. Details of the 2019 Subscription were disclosed in the Company’s announcements dated 22 March 2019 and 1 April 2019.

The gross and net proceeds of the 2019 Subscription were approximately HKD229.68 million (equivalent to approximately RMB197.0 million) and approximately HKD229.48 million (equivalent to approximately RMB196.8 million), respectively. The net subscription price, after deducting such fees, costs and expenses, was therefore approximately HKD2.198 per Share under the 2019 Subscription.

Sets out below is a summary of the intended and actual use of proceeds from the 2019 Subscription:

Intended use of proceeds as announced and actual use of proceeds	Net proceeds (Approximate) (RMB in million)	Amount of proceeds utilised up to 30 June 2021 (Approximate) (RMB in million)	Amount of proceeds unutilised up to 30 June 2021 (Approximate) (RMB in million)
Upgrade of enterprise resource planning (ERP) system of the Group	15.4	13.0	2.4
Purchase of machinery and equipment	29.2	29.2	—
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	126.5	—
Total	196.8	194.4	2.4

As at the date of this report, the Company expects that the unutilised proceeds will be used according to the intended use of proceeds as previously announced. As the Company is in the process of upgrading its ERP system, it is expected that the unutilised proceeds as at 30 June 2021 will be fully utilised in the financial year 2021.

- (b) Pursuant to the subscription agreements dated 22 December 2020 entered into between the Company and the subscribers, an aggregate of 80,000,000 Shares were issued at HKD2.2 per Share (the “**2020 Subscription Price**”) to the subscribers on 29 December 2020 (the “**2020 Subscription**”). The aggregate nominal value of the Shares under the 2020 Subscription is HKD800,000. The 2020 Subscription Price (i) equaled the closing price of HKD2.2 per Share as quoted on the Stock Exchange on 21 December 2020, the date on which the terms of the subscription agreement were fixed; and (ii) represented a discount of approximately 4.51% to the average closing price of approximately HKD2.304 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 21 December 2020. The subscribers were independent professional corporate and/or individual investors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the subscribers (and their respective ultimate beneficial owners, if applicable) were third parties independent of the Company and its connected persons. Details of the 2020 Subscription were disclosed in the Company’s announcements dated 22 December 2020 and 29 December 2020.

The gross and net proceeds of the 2020 Subscription were approximately HKD176.0 million (equivalent to approximately RMB148.6 million) and approximately HKD175.8 million (equivalent to approximately RMB148.4 million), respectively. The net subscription price, after deducting such fees, costs and expenses, was therefore approximately HKD2.198 per Share under the 2020 Subscription.

Sets out below is a summary of the intended and actual use of proceeds from the 2020 Subscription:

Intended use of proceeds as announced and actual use of proceeds	Net proceeds (Approximate) (RMB in million)	Amount of proceeds utilised up to 30 June 2021 (Approximate) (RMB in million)	Amount of proceeds unutilised up to 30 June 2021 (Approximate) (RMB in million)
Purchase of machinery and equipment	30.2	23.3	6.9
Promotion and marketing campaigns	16.9	16.9	-
Provide funding for land acquisition and development costs of new production facilities	101.3	45.7	55.6
Total	148.4	85.9	62.5

As at the date of this report, the Company expects that the unutilised proceeds will be used according to the intended use of proceeds as previously announced. The Company expected that the unutilised proceeds as at 30 June 2021 will be fully utilised in the financial year 2021.

Save as disclosed herein, the Company did not have any other fund raising activity during the six months ended 30 June 2021 and up to the date of this report.

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 2021.

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 2021 as well as this interim report 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, 13 August 2021

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