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Qinqin Foodstuffs Group (Cayman) Company Limited
親親食品集團(開曼)股份有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1583)

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the prospectus of the Company dated 24 June 2016 in relation to, among others, the continuing connected transaction under the Existing Framework Agreement.

As the Existing Framework Agreement will expire on 31 December 2018. As the Group intends to continue carrying out the transactions under the Existing Framework Agreement, Quanzhou Qinqin entered into the New Framework Agreement on 12 December 2018 with Shuncheng Flour for the supply of flour from Shuncheng Flour to members the Group for a term of three years commencing from 1 January 2019 and expiring on 31 December 2021 (both days inclusive).

As at the date of this announcement, Shuncheng Flour is owned as to over 50% by Mr. Wu Huolu and Mr. Wu Yinhang, each of whom is a director of the Company and Shuncheng Flour, and their family members. Shuncheng Flour therefore is an associate of Mr. Wu Huolu and Mr. Wu Yinhang and a connected person to the Company and its transactions with the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Proposed New Caps for the transactions contemplated under the New Framework Agreement exceed 0.1% but less than 5%, the New Framework Agreement and the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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New Framework Agreement

The principal terms of the New Framework Agreement are set out below:

- Date** : 12 December 2018
- Parties** : (1) Quanzhou QinQin
(2) Shuncheng Flour
- Duration** : 1 January 2019 to 31 December 2021 (both days inclusive)
- Subject matter** : Shuncheng Flour shall supply flour to members of the Group based on purchase orders placed by the Group. Relevant members of the Group and Shuncheng Flour will enter into separate contracts with respect to each transaction entered into between them which will be in accordance with the terms set out in the New Framework Agreement.
- Pricing policy** : The Group will obtain from Shuncheng Flour and other independent third party suppliers quotations in respect of similar categories of flour (except for orders in insignificant amount) regularly. It is the Group's policy to obtain quotations from at least two suppliers. After receiving quotations, the Group will compare the prices offered by Shuncheng Flour and other criteria (such as capability to meet the Group's delivery schedule and quality of the flour) with that of independent third party suppliers in order to ensure that the terms provided by Shuncheng Flour will be no less favourable than the terms provided by other independent third party suppliers.

The Group will conclude the purchase with Shuncheng Flour only when those selection criteria can be met in order to safeguard the interests of the Group. The transactions contemplated under the New Framework Agreement will be properly recorded, including but not limited to prices determined and transaction amounts.

As the management will review the pricing policy and quotations provided by Shuncheng Flour and the other independent third party suppliers on a regular basis, the Directors are of the view that adequate procedures are in place to ensure that the transactions contemplated under the New Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the Shareholders.

Payment terms : Within 15 days after the receipt of invoice by the Group

The table below summarises the existing caps for the three years ended 31 December 2018 for the continuing connected transaction under the Existing Framework Agreement:

	Year ended 31 December		
	2016	2017	2018
Existing caps	RMB4,900,000	RMB5,600,000	RMB6,500,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2017 and the eleven months ended 30 November 2018 for the continuing connected transaction under the Existing Framework Agreement:

	Year ended	Year ended	Eleven months ended
	31 December 2016	31 December 2017	30 November 2018
Actual transaction amounts	RMB4,872,737	RMB3,878,068	RMB4,425,440

The Company estimates that the aggregate annual amounts of the supply of flour for the Continuing Connected Transaction contemplated under the New Framework Agreement for the three years ending 31 December 2021 will not exceed RMB6,400,000, RMB7,300,000 and RMB8,300,000 respectively, and such amounts have accordingly been set as the Proposed New Caps.

The Proposed New Caps under the New Framework Agreement were arrived at by reference to (i) the historical transaction amounts for the same type of transactions; (ii) the estimated increase in demand of flour from the Group (having regard to the production capacity and projection of the growth of the business operations of the Group); (iii) the estimated increase in the price of flour, taking into account the trend of prevailing market prices of the raw materials and flour; (iv) anticipated general inflation figures; and (v) increase in the costs of storage and delivery of flour.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK AGREEMENT

The Directors are of the view that the entering into of the New Framework Agreement is essential to the normal operations of and beneficial to the Company. In forming such view, the Directors have taken into account the following factors:

- (i) Given the fact that Shuncheng Flour has been supplying flour to the Group before the listing of the Company, the Group and Shuncheng Flour have established a long-term cooperative relationship, and therefore both parties understand the business operations, quality control as well as delivery and/or production requirements of the other party; and
- (ii) Shuncheng Flour is capable of providing steady and stable supply of quality flour which therefore lowering the operating risks and costs of the Company and facilitating the Company's routine management on production.

The purposes of entering into the New Framework Agreement are to renew the Existing Framework Agreement for another three years to 31 December 2021 and to revise the annual caps of the transactions contemplated thereunder, so as to ensure that the Group and Shuncheng Flour can continue the existing transactions under the Existing Framework Agreement.

Given the reasons above, the Directors (including the independent non-executive Directors) consider that the entering into of the New Framework Agreement and the transactions contemplated thereunder are conducted on normal commercial terms, are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shuncheng Flour is owned as to over 50% by Mr. Wu Huolu and Mr. Wu Yinhang, each of whom is a director of the Company and Shuncheng Flour, and their family members. Shuncheng Flour therefore is an associate of Mr. Wu Huolu and Mr. Wu Yinhang and a connected person to the Company and its transactions with the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given the interest of Mr. Wu Huolu and Mr. Wu Yinhang in Shuncheng Flour, Mr. Wu Huolu and Mr. Wu Yinhang had abstained from voting on the board resolutions of the Company concerning the New Framework Agreement.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Proposed New Caps for the transactions contemplated under the New Framework Agreement exceed 0.1% but are less than 5%, the New Framework Agreement and the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

To ensure the terms of the transactions under the New Framework Agreement are in line with the prevailing market practice, on normal commercial terms, fair and reasonable and no less favourable than the terms provided by other independent third party suppliers, and the annual transaction amounts under the New Framework Agreement will not exceed the Proposed New Caps, the Group had/will adopt the following internal control measures:

- (i) The Group will be required to obtain from Shuncheng Flour and at least two other independent third party suppliers quotations in respect of similar categories of flour (except for orders in insignificant amount) regularly. After receiving quotations, the Group will be required to compare the prices offered by Shuncheng Flour and other criteria (such as capability to meet the Group's delivery schedule and quality of the flour) with that of independent third party suppliers in order to ensure that the terms provided by Shuncheng Flour will be no less favourable than the terms provided by other independent third party suppliers. The Group will be required to conclude the purchase with Shuncheng Flour only when those selection criteria can be met in order to safeguard the interests of the Group;
- (ii) The transactions contemplated under the New Framework Agreement will be properly recorded, including but not limited to prices determined and transaction amounts.

- (iii) The Company will closely monitor the transaction amounts under the New Framework Agreement to ensure that the Proposed New Caps will not be exceeded. The management will review the actual transaction amounts on a monthly basis; and
- (iv) The independent non-executive Directors will review and confirm whether the transactions contemplated under the New Framework Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will conduct an annual review of the status of the transactions under the New Framework Agreement to ensure the Group has complied with the Listing Rules.

INFORMATION ON THE GROUP AND SHUNCHENG FLOUR

The Group is principally engaged in the manufacturing, distribution and sale of food and snacks products in the PRC.

Shuncheng Flour is principally engaged in the processing of flour in the PRC. Shuncheng Flour is a company established in the PRC which is owned as to over 50% by Mr. Wu Huolu and Mr. Wu Yinhang, each of whom is a director of the Company and Shuncheng Flour, and their family members.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Group”	the Company and its subsidiaries
“Company”	Qinqin Foodstuffs Group (Cayman) Company Limited (親親食品集團(開曼)股份有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1583)
“connected person(s)”	has the meanings as ascribed thereto under the Listing Rules

“Continuing Connected Transaction”	the continuing connected transaction of the Group under Chapter 14A of the Listing Rules as set out in this announcement
“Director(s)”	the director(s) of the Company
“Existing Framework Agreement”	the agreement dated 17 June 2016 entered into between Quanzhou QinQin and Shuncheng Flour in relation to the supply of flour by Shuncheng Flour to members of the Group for the term commencing from the date of listing of the Company on the Stock Exchange until 31 December 2018 (both days inclusive)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Framework Agreement”	a new framework agreement dated 12 December 2018 entered into between Quanzhou QinQin and Shuncheng Flour in relation to the supply of flour by Shuncheng Flour to members of the Group for the term of three years commencing from 1 January 2019 and expiring on 31 December 2021 (both days inclusive)
“PRC”	the People’s Republic of China
“Proposed New Caps”	the proposed annual caps in relation to the transactions contemplated under the New Framework Agreement for the three years ending 31 December 2021
“Quanzhou QinQin”	Quanzhou QinQin Foodstuff Co., Ltd.* (泉州親親食品有限公司), a wholly foreign-owned enterprise incorporated in the PRC, an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shuncheng Flour”	Fujian Shuncheng Flour Industry Development Co., Ltd* (福建順成麵業發展股份有限公司), a company incorporated in the PRC

“Shares”	ordinary shares of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

** For reference purposes only*

Hong Kong, 12 December 2018

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