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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF LAND USE RIGHTS AND PROPERTY

The Board is pleased to announce that on 29 November 2019, the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire the Land Use Rights and the Property for a total consideration of RMB82,300,000 (equivalent to approximately HK\$91,682,200) pursuant to the terms of the Agreement.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and the transactions contemplated thereunder are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE AGREEMENT

Summary of the terms of the Agreement

Date:

29 November 2019

Parties:

- (i) The Vendor
- (ii) the Purchaser

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

Subject assets

Pursuant to the Agreement, the Vendor agreed to dispose of, and the Purchaser agreed to acquire, the Land Use Rights and the Property.

Consideration

The Consideration is payable by the Financial Bureau of Xiantao City to the Vendor with the assistance of the Purchaser in four instalments in the following manner:

1. RMB20,575,000, representing 25% of the Consideration, shall be paid as the first instalment within 30 days after the signing of the Agreement;
2. RMB24,690,000, representing 30% of the Consideration, shall be paid as the second instalment when the progress of the construction of the New Project reaches one-third;
3. RMB28,805,000, representing 35% of the Consideration, shall be paid as the third instalment within 30 business days after the construction of the New Project is completed; and
4. RMB8,230,000, representing 10% of the Consideration, shall be paid as the fourth instalment within 10 business days after the principal facilities of the New Project is in place.

The Consideration was arrived at after arm's length negotiation between the parties by making reference to the Assets Valuation Report dated 29 August 2019 prepared by the independent valuer, Hubei Bo Da Property Valuation Company Limited* (湖北博大地產房地產評估諮詢有限公司). The appraised value of the Land Use Rights and the Property as at 19 August 2019 was RMB82,307,400 pursuant to the Assets Valuation Report. The Directors are of the view that the consideration of the Disposal is fair and reasonable and in the interests of the Shareholders as a whole.

Vendor's obligations

The Vendor shall deliver the relevant information of the Land Use Rights and the Property (including but not limited to the Land Use Right certificates and the building ownership certificates) to the Purchaser.

The Vendor shall be responsible for the disputes and all debts and liabilities arising from the Land Use Rights and the Property. The Vendor shall also be responsible for settling water, electricity and other related expenses. As at the date of this announcement, the Group is not aware of any material disputes or debts and liabilities in this regard which may materially affect the operation of and/or has a material financial impact to the Group.

Pursuant to the Agreement, if the Vendor fails to comply with its obligations in the Agreement, the Purchaser will be entitled to a compensation of 10% of the Consideration; and whereas if the Purchaser fails to comply with its obligations pursuant to the Agreement, the Vendor will be entitled to apply to the relevant administrative department for a ruling or lodge a complaint directly with the People's court of the PRC.

Transfer of Land Use Rights and the Property

Both parties shall carry out the procedures for the transfer of the titles of the Land Use Rights and the Property within ten business days after the new production base to be constructed under the New Project has commenced normal production for six months.

To be best knowledge and belief of the Board, it is anticipated that transfer of the said Land Use Rights and the Property shall complete by December 2021.

INFORMATION OF THE LAND USE RIGHTS, THE PROPERTY AND THE LAND

The Land Use Rights were granted by the People's Government of Xiantao City, the PRC for terms expiring on 25 July 2053 and 28 December 2056 for industrial uses. The Property principally consists of office buildings, factories and roads (comprising one of the Group's existing production bases in the PRC) on the Land located at the south side of Xincheng Avenue, Xiantao Textile Industrial Park, Xiantao City with a total site area of approximately 56,647.56 square meters.

REASONS FOR AND BENEFITS OF THE DISPOSAL

To cope with the policy of the municipal government in Xiantao City, the PRC for effective allocation of land resources, and in anticipation of the proposed construction of a new production base in Xiantao City, the PRC in replacement of the Group's current production base on the Land pursuant to the New Project, the Disposal is beneficial to optimising the Company's resource on the development of new production base to improve its production facilities, production process and product quality and enhance production capacity and efficiency. The Disposal has no material adverse impact on the normal production and operation of the Group and is in line with the long term development plan of the Group and in the interest of all shareholders and the Group.

It is estimated that the Group will record a gain from the Disposal, with the estimated indicative net gain of approximately RMB 50.7 million (equivalent to approximately HK\$56.5 million) (subject to audit), being the difference between the Consideration for the Disposal and the net book value of the assets under Disposal, which will be recognised into the income statement in the future periods according to the applicable accounting standards. It is expected that the net proceeds from the Disposal (after deducting all relevant fees and expenses) will mainly be used for the development of the new production base in replacement of the current production base and for the general working capital of the Group.

The Directors are of the view that the terms of the Agreement including the Consideration are on normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION OF THE PARTIES

The Group is principally engaged in the manufacturing, distribution and sale of jelly products, crackers and chips, seasoning products, confectionery and other food and snacks products in the PRC.

The Purchaser is a governmental body of Xiantao City, the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and the transactions contemplated thereunder are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement entered into on 29 November 2019 between the Vendor and the Purchaser in relation to the sale and acquisition of the Land Use Rights and Property
“Assets Valuation Report”	Assets Appraisal Report on the Land dated 29 August 2019 prepared by the independent valuer, Hubei Bo Da Property Valuation Company Limited* (湖北博大地產房地產評估諮詢有限公司)

“Board”	the board of Directors
“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)
“Consideration”	RMB82,300,000 (equivalent to approximately HK\$91,682,200) being the total consideration payable by the Financial Bureau of Xiantao City for the acquisition of the Land Use Rights and the Property by the Purchaser pursuant to the Agreement
“Directors”	the Director(s) of the Company
“Disposal”	the disposal of the Land Use Rights and the Property by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Administration Region of the People’s Republic of China
“Land”	the land situated at the south side of Xincheng Avenue, Xiantao Textile Industrial Park, Xiantao City, the PRC and with a total site area of approximately 56,647.56 square meters
“Land Use Right(s)”	the state-owned land use right certificates issued by the People’s Government of Xiantao City, the PRC to the Vendor in respect of the rights to use the Land
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Project”	the proposed project to be commenced by the Group in Xiantao City, the PRC for the construction of a new production base of certain jelly and seasoning products of the Group in replacement of the Group’s current production base on the Land. Details of such project is still in negotiation and details of which will be announced by the Company pursuant to the Listing Rules as and when appropriate

“PRC”	the People’s Republic of China
“Property”	principally the office buildings, factories and roads on the Land
“Purchaser”	Xiantao Land Reserve Center of the People’s Government of Xiantao City, the PRC* (仙桃市土地儲備中心)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Xiantao QinQin Food Industry Co., Ltd.* (仙桃親親食品工業有限公司), a sino-foreign equity joint venture established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

* *For identification purpose only*

For the purpose of this announcement and for illustration purpose only, the exchange rate between RMB and HK\$ is 1:1.114 and no representation is made that any amount in RMB or HK\$ could have been or could be converted at such rates or at any other rates.

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

Hong Kong, 29 November 2019

As of the date of this announcement, the Board comprises 11 Directors, of which two are executive Directors, namely Mr. Hui Ching Lau (Chairman) 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.