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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE

Consolidated Income Statement	**For the year ended 31 December**		
	2017	2016	**% of**
	RMB'000	*RMB'000*	**change**
Revenue	**882,379**	980,902	-10.0%
Operating profit	**5,361**	41,904	-87.2%
(Loss)/profit attributable to shareholders	**(6,536)**	31,522	-120.7%
(Loss)/earnings per share			
— Basic and diluted	**RMB(0.014)**	RMB0.066	

Consolidated Balance Sheet	**As at 31 December**		
	2017	2016	**% of**
	RMB'000	*RMB'000*	**change**
Cash and cash equivalents	**294,447**	346,308	-15.0%
Bank borrowing	**NIL**	NIL	N/A
Net current assets	**308,403**	279,786	10.2%
Net assets	**671,383**	676,697	-0.8%

KEY FINANCIAL RATIOS	**31 December 2017**	31 December 2016	**Change (% points)**
Gross profit margin	**38.3%**	42.9%	-4.6
Return on equity	**-1.0%**	4.7%	-5.7
Current ratio (times)	**3.5**	2.3	
Finished goods turnover days	**18 days**	19 days	
Trade receivables turnover days	**4 days**	7 days	

RESULTS

The Board of Directors of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**882,379**	980,902
Cost of goods sold		**(544,279)**	(559,911)
Gross profit		**338,100**	420,991
Distribution and selling expenses		**(271,841)**	(296,831)
Administrative expenses		**(71,401)**	(93,369)
Other income and other gains — net		**10,503**	11,113
Operating profit		**5,361**	41,904
Finance income		**5,194**	15,736
Finance costs		**(12,811)**	(191)
Finance (costs)/income — net		**(7,617)**	15,545
(Loss)/profit before income tax	*4*	**(2,256)**	57,449
Income tax expense	*5*	**(4,280)**	(25,927)
(Loss)/profit for the year, all attributable to shareholders of the Company		**(6,536)**	31,522
(Loss)/earnings per share for (loss)/profit attributable to shareholders of the Company	*6*		
— Basic and diluted		**RMB(0.014)**	RMB 0.066

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(6,536)**	31,522
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
— Currency translation differences	**—**	(59)
Total comprehensive (loss)/income for the year, all attributable to shareholders of the Company	**(6,536)**	31,463

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**292,512**	327,779
Construction-in-progress		**2,628**	1,110
Prepayments for land use rights		**39,419**	40,373
Intangible assets		**4,321**	4,993
Prepayments for non-current assets		**4,565**	6,740
Deferred income tax assets		**19,535**	15,916
		362,980	396,911
Current assets			
Inventories		**101,568**	120,202
Trade receivables	*8*	**5,940**	12,393
Other receivables, prepayments and deposits		**27,928**	19,040
Cash and cash equivalents		**294,447**	346,308
		429,883	497,943
Total assets		**792,863**	894,854
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**4,097**	4,097
Other reserves		**187,771**	186,238
Retained earnings		**479,515**	486,362
Total equity		**671,383**	676,697
LIABILITIES			
Current liabilities			
Trade payables	*9*	**43,674**	60,773
Other payables and accrued charges		**77,806**	155,167
Current income tax liabilities		**—**	2,217
		121,480	218,157
Total liabilities		**121,480**	218,157
Total equity and liabilities		**792,863**	894,854

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 (2013 revision) of the Cayman Islands in preparation for a listing of the Company's shares ("**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"). 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.

2 BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except that financial assets and liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(1) Standards, amendments and interpretations to existing standards effective in 2017

The following amendments of HKAS and HKFRS are effective for the first time for the financial year beginning on or after 1 January 2017:

— Amendments to HKAS 7, 'Statement of cash flows' introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financial activities.

— Amendments to HKAS 12, 'Income taxes', amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

2 BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES *(continued)*

(1) Standards, amendments and interpretations to existing standards effective in 2017 *(continued)*

— Amendment to HKFRS 12, 'Disclosure of interest in other entities'.The amendment is part of the annual improvements to HKFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of HKFRS 12). Previously, it was unclear whether all other HKFRS 12 requirements were applicable for these interests.

The Group assessed the adoption of these standards and amendments, and concluded that they did not have a significant impact on the Group's results and financial position.

(2) 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 or after 1 January 2017 and have not been early adopted by the Group

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2017, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group is yet to assess the full impact of these new standards and amendments and intents to adopt them no later than the respective effective dates of these new standards and amendments. These new standards and amendments are set out below:

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15 (i)	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Insurance contracts	1 January 2018
HKAS 40 (Amendment)	Transfers of investment property	1 January 2018
HKAS 28 (Amendment)	Investment in associates	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES *(continued)*

(2) 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 or after 1 January 2017 and have not been early adopted by the Group *(continued)*

(i) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

When applying HKFRS 15, revenue shall be recognised by applying following steps:

- identify the contract with customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognise revenue when (or as) the entity satisfies a performance obligation.

2 BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES *(continued)*

(2) 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 or after 1 January 2017 and have not been early adopted by the Group *(continued)*

(i) HKFRS 15 Revenue from Contracts with Customers *(continued)*

The Group is engaged in manufacturing, distribution and sale of food and snack products. The Group does not have any customer loyalty programme which is likely to be affected by the new HKFRS 15.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Payment to customer — the application of HKFRS 15 may result in the consideration payable to a customer recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer.

- Rights of return — HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation. The Group's historical goods return rate was very low and the financial impact of applying new HKFRS 15 is not expected to be material.

- Presentation of contract assets and contract liabilities on the balance sheet — HKFRS 15 requires separate presentation of contract assets and contract liabilities on the balance sheet. The Group has assessed the adoption of this standard and concluded that it will not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018.

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 15 stated above, none of these is expected to have a significant impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating profit by business segments is as follows:

	Year ended 31 December 2017				
	Jelly Products *RMB'000*	**Crackers and Chips** *RMB'000*	**Seasoning Products** *RMB'000*	**Confectionery and Other Products** *RMB'000*	**Group** *RMB'000*
Revenue					
Sales to external customers	**495,191**	**253,528**	**93,471**	**40,189**	**882,379**
Cost of goods sold	**(309,274)**	**(145,117)**	**(54,363)**	**(35,525)**	**(544,279)**
Results of reportable segments	**185,917**	**108,411**	**39,108**	**4,664**	**338,100**

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

Results of reportable segments	**338,100**
Distribution and selling expenses	**(271,841)**
Administrative expenses	**(71,401)**
Other income and other gains-net	**10,503**
Finance income	**5,194**
Finance costs	**(12,811)**
Loss before income tax	**(2,256)**
Income tax expense	**(4,280)**
Loss for the year	**(6,536)**

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Depreciation and amortisation charge					
Allocated	**21,194**	**6,156**	**2,811**	**2,364**	**32,525**
Unallocated					**2,825**
					35,350
Capital expenditure					
Allocated	**5,587**	**688**	**51**	**—**	**6,326**
Unallocated					**4,053**
					10,379
Impairment charge of machinery	**—**	**—**	**—**	**8,021**	**8,021**

3. REVENUE AND SEGMENT INFORMATION *(continued)*

	Year ended 31 December 2016				
	Jelly Products *RMB'000*	Crackers and Chips *RMB'000*	Seasoning Products *RMB'000*	Confectionery and Other Products *RMB'000*	Group *RMB'000*
Revenue					
Sales to external customers	529,086	280,284	109,955	61,577	980,902
Cost of goods sold	(298,343)	(150,817)	(64,626)	(46,125)	(559,911)
Results of reportable segments	230,743	129,467	45,329	15,452	420,991

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

Results of reportable segments	420,991
Distribution and selling expenses	(296,831)
Administrative expenses	(93,369)
Other income and other gains-net	11,113
Finance income	15,736
Finance costs	(191)
Profit before income tax	57,449
Income tax expense	(25,927)
Profit for the year	31,522

Other segment information is as follows:

	Jelly Products *RMB'000*	Crackers and Chips *RMB'000*	Seasoning Products *RMB'000*	Confectionery and Other Products *RMB'000*	Group *RMB'000*
Depreciation and amortisation charge					
Allocated	22,365	6,165	3,171	3,489	35,190
Unallocated					2,641
					37,831
Capital expenditure					
Allocated	3,922	629	18	99	4,668
Unallocated					3,891
					8,559
Impairment charge of machinery	—	—	—	4,238	4,238

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

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 year, therefore no major customer information is presented in accordance with HKFRS 8 Operating Segments.

4. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is stated after crediting and charging the following:

	2017	2016
	RMB'000	*RMB'000*
Crediting		
Interests income from bank deposits	**5,194**	6,030
Government grant (Note(a))	**12,706**	9,841
Exchange gain — net	**—**	9,706
Exchange gain from operating activities — net	**—**	7
Charging		
Depreciation of property, plant and equipment	**33,724**	36,252
Amortisation of land use rights	**954**	954
Amortisation of intangible assets	**672**	625
Loss on disposal of property, plant and equipment	**1,937**	80
Employee benefit expense, including directors' emoluments	**135,057**	136,186
Marketing and advertising expenses	**160,526**	178,800
Operating lease rentals	**5,387**	5,408
(Reversal of provision)/provision for impairment of trade receivables	**(357)**	1,249
Provision/(reversal of provision) for decline in value of inventories	**105**	(786)
Impairment charge of property, plant and equipment	**8,021**	4,238
Listing expenses	**—**	23,220
Exchange loss — net	**12,602**	—
Exchange loss from operating activities — net	**868**	—

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

5. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current income tax	**7,899**	37,481
Deferred income tax, net	**(3,619)**	(11,554)
Income tax expense	**4,280**	25,927

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits during the year.

Taxation on Mainland China income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax at the rate of 25% (2016: 25%).

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

6. (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 year.

	2017	2016
	RMB'000	*RMB'000*
(Loss)/profit attributable to shareholders of the Company	**(6,536)**	31,522
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**475,696,557**	475,696,557
Basic (loss)/earnings per share	**RMB (0.014)**	RMB 0.066

(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 share options are dilutive potential ordinary shares. The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the year ended 31 December 2017. As the Group incurred losses for the year ended 31 December 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive.

For the year ended 31 December 2016, basic earnings per share and diluted earnings per share are the same as there is no dilutive potential ordinary shares.

7. DIVIDENDS

At a meeting of the board of directors held on 29 March 2018, the Board did not recommend any payment of dividend to shareholders for the year ended 31 December 2017 (2016: Nil).

8. TRADE RECEIVABLES

The credit period ranges from 30 to 90 days (2016: 30 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2017 was as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**993**	5,507
31 — 180 days	**4,201**	6,868
181 — 365 days	**746**	18
Over 365 days	**892**	1,249
	6,832	13,642
Less: provision for impairment	**(892)**	(1,249)
Trade receivables-net	**5,940**	12,393

9. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date as at 31 December 2017 was as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**28,657**	40,338
31 — 180 days	**14,454**	20,207
181 — 365 days	**394**	86
Over 365 days	**169**	142
	43,674	60,773

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 principally engages in the manufacturing, distribution and sale of jelly products, crackers and chips, seasoning products, and confectionery and other products. The Group is committed to providing consumers with healthy and safe products. The Group continues to optimise its product portfolio and improve its product competitiveness in order to satisfy new consumer preferences and increase market share, and to further consolidate the leading position of the Group in food and snacks industry.

INDUSTRY ENVIRONMENT

In 2017, in the context of the new normal economy, China's economic development is under structural adjustment and the Chinese economy continued to maintain steady growth though the overall growth rate has decreased. The gross domestic product for the year grew by 6.9% year-on-year and the national per capita disposable income grew by 7.3% year-on-year. The effect of the general economic environment also brought certain impact and pressure on the food and snacks market in the PRC.

While the food and snacks industry of the PRC remains challenging due to intense market competition, the Group believes that the industry is also under continuing structural adjustment. As consumers pursue healthier and personalised products and favor high quality and innovative products, product development in this industry is becoming more diversified. Under such changes, enterprises have to focus on product innovation and product quality improvement, and introduce new products to adapt to changes in consumer demand and preferences. In addition, sales and distribution channels are also undergoing structural adjustments, resulting in the need for improvement on corporate sales and marketing strategies.

BUSINESS OVERVIEW

The Group's total revenue for 2017 was approximately RMB882.4 million (2016: RMB980.9 million), representing a decrease of approximately 10.0% as compared with last year.

The Group is facing the problem of product ageing, the attractiveness of certain best-selling key products in the past have been reduced among mainstream consumer groups as consumer preferences and needs are ever-changing. Part of the existing products lack young and fashionable elements, and their packaging, taste and design are lack of significant changes and enhancement. These products have no significant differentiation in the market, which resulted in the slowdown of sales and failure to increase the market end price. As a result, the Group streamlined certain products with relatively weak in sales volume in 2017, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily, which also resulted in the decline in sales in 2017.

In 2017, the Group's gross profit was approximately RMB338.1 million (2016: RMB421.0 million), representing a decrease of approximately 19.7% as compared with last year; Gross profit margin was approximately 38.3% (2016: 42.9%), representing a decrease of approximately 4.6 percentage points as compared with last year. In 2017, loss attributable to the Company's shareholders was approximately RMB6.5 million (2016: profit attributable to the Company's shareholders of RMB31.5 million), which recorded a significant decrease compared to the consolidated net profit in 2016 (before deduction of one-off listing expenses and net of related tax impact) of approximately RMB53.6 million. The decrease in gross profit margin was mainly due to the significant increase in the prices of certain major raw materials and packaging materials in 2017. The prices of major materials, such as sugar, palm oil, shrimp, polypropylene and cartons, increased by double-digit as compared with last year. The rising cost and declining sales volume resulted in the decrease in gross profit and consolidated net profit during the year.

In addition, as Hong Kong Dollars ("**HKD**") and United States Dollars ("**USD**") devalued against Chinese Renminbi ("**RMB**") in 2017, the Group recorded a foreign exchange loss in relation to its cash and cash equivalent in HKD and USD totaling approximately RMB12.6 million (2016: foreign exchange gain of RMB9.7 million), which further impacted the consolidated net profit during the year.

Jelly Products

Sales of jelly products in 2017 were approximately RMB495.2 million (2016: RMB529.1 million), representing a decrease of approximately 6.4% as compared with last year and accounting for 56.1% (2016: 53.9%) of total revenue of the Group. The decline in sales of jelly products was attributable to the ageing of part of our existing products and hence reduced competitiveness. The Group streamlined certain products with relatively weak in sales volume in 2017 accordingly, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily, which also resulted in the decline in sales in 2017.

In 2017, the Group continued to optimise the product portfolio for its major jelly products. The Group engaged external marketing company to re-adjust the branding and product strategies on jelly products. The Group developed functional flexible pouches packaging jelly for women and pudding products for children, which were formally launched in the market in December 2017 following completion of package upgrading for new products in 2017, in order to facilitate the improvement in future results of the jelly business.

Crackers and Chips

Sales of crackers and chips in 2017 were approximately RMB253.5 million (2016: RMB280.3 million), representing a decrease of approximately 9.5% as compared with last year and accounting for 28.7% (2016: 28.6%) of total revenue of the Group. The decline in sales of crackers and chips was attributable to the ageing of part of our existing products and hence reduced competitiveness. In particular, the prawn cracker products have a history of many years, but their market end price cannot be increased due to the lack of refinement and improvement in their packaging and taste designs. The Group streamlined certain products with relatively weak in sales volume in 2017 accordingly, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily, which also resulted in the decline in sales in 2017.

In 2017, the Group continued to optimise the product portfolio for its crackers and chips. The Group fully upgraded the packaging and taste of prawn crackers, expanded the flavours to meet different needs of consumers, developed new manufacturing technology for prawn cracker products, and engaged external marketing company to create new product package design. Since December 2017, the Group started to launch fashionable and innovative crackers and chips products including classic prawn cracker series and crayfish flavour series, in order to recover the growth trend of crackers and chips business.

Seasoning Products

Sales of seasoning products in 2017 were approximately RMB93.5 million (2016: RMB110.0 million), representing a decrease of approximately 15.0% as compared with last year and accounting for 10.6% (2016: 11.2%) of total revenue of the Group. The decline in sales of seasoning products was attributable to the ageing of part of our existing products and hence reduced competitiveness. The Group streamlined certain products with relatively weak in sales volume in 2017 accordingly, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily, which also resulted in the decline in sales in 2017.

In December 2017, the Group established an independent seasoning division to develop clearer sales strategies for seasoning products and to accelerate the full upgrading of product packaging.

Confectionery and Other Products

Sales of confectionery and other products in 2017 were approximately RMB40.2 million (2016: RMB61.6 million), representing a decrease of approximately 34.7% as compared with last year and accounting for 4.6% (2016: 6.3%) of total revenue of the Group. Sales of confectionery and other products contributed relatively small proportion to the overall sales of the Group.

During the year, the Group ceased the production of bakery products and full provision of approximately RMB8.0 million were made for the impairment of the relevant production lines.

FUTURE PROSPECTS AND STRATEGIES

Looking forward to 2018, the Group will strive to capture the opportunities of consumer upgrades through continuous product innovations. The Group will remain customer-centric and will continue to enhance our product portfolio and promote product innovation and upgrades. The products of the Group will be developed towards more natural, healthy, safe and high-end to meet different consumer demand and enhance their competitiveness, so as to resume business growth of the Group.

The Group will also aim at the rising of younger generation consumers with the trend to prefer modern style. The Group will revitalise the "Qinqin" brand, create a "younger, more fashionable, more sociable style" characteristic to our brand. The Group's marketing strategies will also be developed towards more digital, through the use the new media to actively approach and attract younger generation customers, carry out innovative social media and networking marketing, and make full use of social media such as WeChat, Weibo platforms for effective interaction with customers to rejuvenate brand vitality.

Research and Development and Product Upgrade

The Group is committed to develop safe, convenient and no preservatives new products. The Group is also committed to establish a high-quality and no preservatives brand and product image to consumers. In 2017, the Group recruited a number of highly skilled technical personnel, restructured our research and development center, and cooperated with leading food research institutions in the PRC to develop products. Recently, the Group has successfully launched brand new jelly products and crackers and chips products, which are expected to bring growth drivers for the Group's sales.

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

For jelly products, the Group has set the product development objective in the direction of functional and nutritional products with zero preservatives, zero artificial pigments, zero sweeteners and low calories. The Group changed its past practice of developing a product targeting a wide range of people to developing different products to adapt to the needs of different people. It analyses the needs of different consumer groups and is committed to improve the contents of its products. It continued to work with different domestic and foreign design firms and strived to develop innovative designs for the flat packaging and packages of jelly products.

For crackers and chips, the Group targets to become a leading prawn product brand in the PRC. Through a series of upgrades in terms of packaging, product and flavour to improve its brand influence and market share, the Group upgraded its product quality by improving tastes and expanding flavours to cater to the preferences of young consumers and regional features. In addition to refining its classic flavour prawn product line, the Group will also launch new products such as high prawn-content canned prawn crackers and low-salt calcium children's prawn crackers in the future.

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

For confectionery products, the Group conducted a full review of its production line, targeted the holiday market and wedding market, developed a series of toffee, crunchy candy and chocolate products and packages, and improved its display effectiveness.

Channel Expansion

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

While the Group continues to strengthen our traditional distribution network, in 2018, the Group will increase its investment and expansion on modern retail channel. The main focus is the supermarkets in Southern part of China.

With the significant changes in consumption habits among the younger generation, the penetration rate of online purchase continues to rise. The Group continues the expansion of online sales. In 2017, the Company established an independent e-commerce company and recruited e-commerce professional team to manage the online business operation. The team is also required to develop products that meet the characteristics of e-commerce channels and increase the product selling price. In 2018, the Group will continue to focus on the development of Tmall and JD e-commerce platforms and capture the new retail market.

Production Facilities Improvement

The Group aimed to reduce the impact of increasing labor costs by increasing the level of our production facilities automation. During the year, the Group proposed and continued to promote "equipment transformation, production process enhancement, quality improvement". The Group also upgraded the existing production lines, and will gradually promote "high-speed, high-yield, low-loss rates and high automation" benchmarking production line in each production base. The Group believes that a more advanced and automated production process with an upgraded production capability will allow the Group to reduce its reliance on labor, improve production efficiency and accelerate the time-to-market for our products. In addition, the Group continued to adopt measures to save energy and lower consumption and products defective rate.

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

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 31 December 2017. As at 31 December 2017, the Group had cash and bank balances of RMB294.4 million (2016: RMB346.3 million). Cash and bank balances were mainly denominated in Hong Kong dollars ("**HKD**"), United States dollars ("**USD**") and Chinese Renminbi ("**RMB**"). The Group's working capital or net current assets were RMB308.4 million (2016: RMB279.8 million). The current ratio, represented by current assets divided by current liabilities, was 3.5 (2016: 2.3).

As at 31 December 2017, the Group's total equity was RMB671.4 million (2016: RMB676.7 million), representing a decrease of 0.8%.

The Group did not have any borrowings as at 31 December 2017 (2016: Nil).

COMMITMENTS AND CONTINGENCIES

As at 31 December 2017, the Group had total capital commitments (contracted but not provided for) of RMB4.6 million (2016: RMB4.8 million).

As at 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB2.5 million (2016: RMB5.4 million). As at 31 December 2017, the lessors of our leased properties in Taian city, Shandong province and Xianyang, Shaanxi province were still in the process of obtaining the relevant title documents to the properties. As the lease agreement for the Group's leased properties in Xianyang, Shaanxi province expired in February 2018, the leased properties are currently under short-term lease and it is expected that the production facilities will be relocated to the Group's production facilities in Linying, Henan province in mid-2018.

The Group had no material contingent liabilities as at 31 December 2017 and 31 December 2016.

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

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

CHARGE ON ASSETS

There was no charge on the Group's assets during the year.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2017, the Group had approximately 2,700 (2016: 2,900) employees. For the year ended 31 December 2017, total employee benefit expenses, including directors' emoluments, was approximately RMB135.1 million (2016: RMB136.2 million). The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruit employees based on a number of factors, including their educational background, work experience and vacancies within the Group. The Group determines employees' compensation based on their qualifications, work experience, position and performance. In addition to salaries, the Group provides a comprehensive range of staff benefits to its employees, including performance or contribution-based bonuses and allowances for meals and free dormitories. Besides, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

The Group also committed to continuing education and development of its employees, and the Group provides various education and training programs both internally and externally to cultivate its employees in improving their skills and developing their potential.

FOREIGN EXCHANGE RISK

The Group operates its businesses primarily in the PRC and its functional currency is RMB. Foreign exchange risk arises mainly from future commercial transactions of sales and purchases with overseas customers and suppliers by the Group and recognised assets or liabilities, such as cash and cash equivalent, and trade and other receivables and payables of its subsidiaries, which are denominated in HKD, USD and other currencies.

During the year, HKD and USD devalued against RMB. The Group recorded foreign exchange loss in relation to its cash and cash equivalent in HKD and USD totaling RMB12.6 million (2016: net foreign exchange gain totaling RMB9.7 million). Save as disclosed above, the Group is exposed to minimal foreign exchange risk exposure as the Group focused on its sales and purchase within the PRC market.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "**Shareholders**") will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 29 May 2018 (the "**2018 AGM**"), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 23 May 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 29 May 2018, notice of which will be published on the website of the Company (www.fjqinqin.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and despatched to shareholders of the Company accordingly.

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to the subscription agreements each dated 20 January 2018 ("**Subscription Agreements**") entered into between the Company and no less than six subscribers, an aggregate of 95,000,000 new shares of the Company were issued at HK$2.11 per Share to the subscribers on 6 February 2018. The closing price of each Share on 19 January 2018 (the last trading day prior to the fixing of the terms of the Subscription Agreements) was HK$2.21 per Share. The gross and net proceeds of the issue were HK$200.45 million and approximately HK$200.25 million respectively, representing a net price of approximately HK$2.11 per Share. The Company intends to use the net proceeds from the subscription for development, introduction and promotion of new products, expansion and upgrade of production facilities, enhancing our presence in the sales channels and promoting our brands and for potential future acquisition and business cooperation.

Details of the transactions were disclosed in the Company's announcement dated 21 January 2018 and 6 February 2018. Save as disclosed herein, the Company did not have any other fund raising activity during the year ended 31 December 2017 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Group recognises 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**").

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2017 and, where appropriate, the applicable recommended best practices of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules on the Stock Exchange as the code of conduct for dealing in securities of the Company by the directors of the Company (the "**Directors**"). All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017. To ensure Directors' dealings in the securities of the Company (the "**Securities**") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all four Independent Non-executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil in accordance with Rule 3.13 of the Listing Rules.

The Board, through the Nomination Committee, has reviewed the independence of all Independent Non-executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the Independent Non-executive Directors has been impaired up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE 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 year ended 31 December 2017.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee, which comprises all four Independent Non-executive Directors of the Company, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the draft consolidated financial statements of the Group for the year ended 31 December 2017.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Company's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC on the preliminary announcement.

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, 29 March 2018

As at the date of this announcement, the Board comprises 12 Directors, of which five are non-executive Directors, namely Mr. Hui Lin Chit, Mr. Sze Man Bok, Mr. Wu Huolu, Mr. Wu Sichuan and Mr. Wu Yinhang; 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); 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.