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 2018

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE

Consolidated Income Statement	**For the year ended 31 December**		
	2018	2017	**% of**
	RMB'000	*RMB'000*	**change**
		Restated	
Revenue	**761,819**	727,257	4.8%
Operating profit	**3,435**	5,361	-35.9%
Profit/(loss) attributable to shareholders	**32,760**	(6,536)	601.2%
Earnings/(loss) per share			
— Basic and diluted	**RMB0.058**	RMB(0.014)	

Consolidated Balance Sheet	**As at 31 December**		
	2018	2017	**% of**
	RMB'000	*RMB'000*	**change**
Cash and cash equivalents	**566,085**	294,447	92.3%
Bank borrowing	**NIL**	NIL	N/A
Net current assets	**520,946**	308,403	68.9%
Net assets	**868,297**	671,383	29.3%

KEY FINANCIAL RATIOS	**31 December 2018**	31 December 2017 Restated	**Change (% points)**
Gross profit margin	**30.5%**	25.2%	5.3
Return on equity	**3.8%**	-1.0%	4.8
Current ratio (times)	**3.9**	3.5	
Finished goods turnover days	**11 days**	18 days	
Trade receivables turnover days	**4 days**	5 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 2018, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	*4*	**761,819**	727,257
Cost of goods sold		**(529,318)**	(544,279)
Gross profit		**232,501**	182,978
Distribution and selling expenses		**(131,175)**	(116,719)
Administrative expenses		**(97,567)**	(71,758)
Net reversal of impairment losses on financial assets		**166**	357
Other income and other gains — net		**(490)**	10,503
Operating profit		**3,435**	5,361
Finance income		**35,802**	5,194
Finance costs		**(206)**	(12,811)
Finance income/(costs) — net		**35,596**	(7,617)
Profit/(loss) before income tax	*5*	**39,031**	(2,256)
Income tax expense	*6*	**(6,271)**	(4,280)
Profit/(loss) for the year, all attributable to shareholders of the Company		**32,760**	(6,536)
Earnings/(loss) per share for profit/(loss) attributable to shareholders of the Company	*7*		
— Basic and diluted (expressed in RMB per share)		**RMB0.058**	RMB(0.014)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit/(loss) for the year	**32,760**	(6,536)
Other comprehensive income for the year	**—**	—
Total comprehensive income/(loss) for the year, all attributable to shareholders of the Company	**32,760**	(6,536)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**264,726**	292,512	327,779
Construction-in-progress		**3,995**	2,628	1,110
Land use rights		**43,980**	39,419	40,373
Intangible assets		**3,758**	4,321	4,993
Prepayments for non-current assets		**6,542**	4,565	6,740
Deferred income tax assets		**24,592**	19,535	15,916
		347,593	362,980	396,911
Current assets				
Inventories		**101,757**	101,568	120,202
Trade receivables	*9*	**9,049**	5,940	12,393
Other receivables, prepayments and deposits		**26,234**	27,928	19,040
Cash and cash equivalents		**566,085**	294,447	346,308
		703,125	429,883	497,943
Total assets		**1,050,718**	792,863	894,854
EQUITY				
Equity attributable to shareholders of the Company				
Share capital		**4,861**	4,097	4,097
Other reserves		**355,751**	187,771	186,238
Retained earnings		**507,685**	479,515	486,362
Total equity		**868,297**	671,383	676,697
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities		**242**	—	—
		242	—	—
Current liabilities				
Trade payables	*10*	**56,616**	43,674	60,773
Other payables and accrued charges		**101,063**	50,435	56,339
Contract liabilities		**24,500**	27,371	98,828
Current income tax liabilities		**—**	—	2,217
		182,179	121,480	218,157
Total liabilities		**182,421**	121,480	218,157
Total equity and liabilities		**1,050,718**	792,863	894,854

1 GENERAL INFORMATION

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability under the Companies Law (2013 revision) of the Cayman Islands. The address of its registered office is Maples Corporate Services Limited, PO Box 309, 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) New and amended standards adopted by the Group

The following amendments of HKAS and HKFRS are effective for the first time for the financial year beginning on or after 1 January 2018:

— HKFRS 9 Financial Instruments

— HKFRS 15 Revenue from Contracts with Customers

— Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2

— Annual Improvements 2014-2016 cycle

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(2) New standards and interpretations not yet adopted

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 2018, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards and amendments. The Group has evaluated the impact of these new standards and amendments, except for the assessment of impact set out below, no other new standards or amendments have a significant impact on the consolidated financial statements of the Group.

Standards		**Effective for annual periods beginning on or after**
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to HKFRS Standards 2015-2017 Cycle		1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

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

(2) New standards and interpretations not yet adopted *(continued)*

HKFRS 16 Leases *(continued)*

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB3,826,000. Of these commitments, approximately RMB2,090,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB3,388,000 on 1 January 2019, lease liabilities of RMB3,388,000 and no deferred tax assets recognised. Overall net assets will not be changed, but net current assets will be RMB936,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that profit before income tax will decrease by approximately RMB28,000 for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows will decrease by approximately RMB980,000 as repayment of the principal and interests of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3 CHANGES IN ACCOUNTING POLICIES

The Group adopted HKFRS 9 Financial Instruments from its effective date of 1 January 2018. HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting, if any. Except for the reclassifications made to the line items in the consolidated income statement and statement of comprehensive income as stated below, there was no other impact on the Group's consolidated financial statements for the year ended 31 December 2018 and the year ended 31 December 2017.

The Group adopted HKFRS 15 *Revenue from Contracts with Customers* from its effective date of 1 January 2018. The adoption of HKFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements for the prior year. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively and has restated the comparatives figures for the 2017 financial year.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details below.

Consolidated balance sheet (extract)	**31 December 2017 As originally presented** *RMB'000*	**HKFRS 15** *RMB'000*	**31 December 2017 Restated** *RMB'000*
Current liabilities:			
Other payables and accrued charges	77,806	(27,371)	50,435
Contract liabilities	—	27,371	27,371
Total liabilities	121,480	—	121,480

Consolidated balance sheet (extract)	**31 December 2016 As originally presented** *RMB'000*	**HKFRS 15** *RMB'000*	**1 January 2017 Restated** *RMB'000*
Current liabilities:			
Other payables and accrued charges	155,167	(98,828)	56,339
Contract liabilities	—	98,828	98,828
Total liabilities	218,157	—	218,157

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

	Year ended 31 December 2017			
Consolidated income and other comprehensive income statement (extract)	**As originally presented** *RMB'000*	**HKFRS 9** *RMB'000*	**HKFRS 15** *RMB'000*	**Restated** *RMB'000*
Revenue	882,379	—	(155,122)	727,257
Cost of sales	(544,279)	—	—	(544,279)
Gross profit	338,100	—	(155,122)	182,978
Distribution and selling expenses	(271,841)	—	155,122	(116,719)
Administrative expenses	(71,401)	(357)	—	(71,758)
Net reversal of impairment losses on financial assets	—	357	—	357
Operating profit	5,361	—	—	5,361
Loss before income tax	(2,256)	—	—	(2,256)
Loss and total comprehensive loss for the year, all attributable to shareholders of the Company	(6,536)	—	—	(6,536)
Loss per share for loss attributable to shareholders of the Company				
Basic and diluted	RMB (0.014)	—	—	RMB (0.014)

4 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 2018				
	Jelly Products *RMB'000*	**Crackers and Chips** *RMB'000*	**Seasoning Products** *RMB'000*	**Confectionery and Other Products** *RMB'000*	**Group** *RMB'000*
Revenue — recognised at a point in time					
Sales to external customers	**435,238**	**210,273**	**87,307**	**29,001**	**761,819**
Cost of goods sold	**(314,242)**	**(134,273)**	**(59,251)**	**(21,552)**	**(529,318)**
Results of reportable segments	**120,996**	**76,000**	**28,056**	**7,449**	**232,501**

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

Results of reportable segments	**232,501**
Distribution and selling expenses	**(131,175)**
Administrative expenses	**(97,567)**
Net reversal of impairment losses on financial assets	**166**
Other income and other gains — net	**(490)**
Finance income	**35,802**
Finance costs	**(206)**
Profit before income tax	**39,031**
Income tax expense	**(6,271)**
Profit for the year	**32,760**

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Depreciation and amortisation charges					
Allocated	**20,806**	**5,954**	**2,681**	**1,576**	**31,017**
Unallocated					**2,300**
					33,317
Capital expenditures					
Allocated	**11,810**	**3,457**	**832**	**—**	**16,099**
Unallocated					**5,820**
					21,919

4 REVENUE AND SEGMENT INFORMATION *(continued)*

	Year ended 31 December 2017 (Restated)				
	Jelly Products *RMB'000*	Crackers and Chips *RMB'000*	Seasoning Products *RMB'000*	Confectionery and Other Products *RMB'000*	Group *RMB'000*
Revenue — recognised at a point in time					
Sales to external customers	407,896	208,341	76,783	34,237	727,257
Cost of goods sold	(309,274)	(145,117)	(54,363)	(35,525)	(544,279)
Results of reportable segments	98,622	63,224	22,420	(1,288)	182,978

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

Results of reportable segments	182,978
Distribution and selling expenses	(116,719)
Administrative expenses	(71,758)
Net reversal of impairment losses on financial assets	357
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 charges					
Allocated	21,194	6,156	2,811	2,364	32,525
Unallocated					2,825
					35,350
Capital expenditures					
Allocated	5,587	688	51	—	6,326
Unallocated					4,053
					10,379
Impairment charge of machinery	—	—	—	8,021	8,021

4 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.

5 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is stated after crediting and charging the following:

	2018 *RMB'000*	2017 *RMB'000* *(Restated)*
Crediting		
Interests income from bank deposits	**11,287**	5,194
Government grant income *(Note (a))*	**4,708**	12,706
Exchange gain from financing activities — net	**24,515**	—
Exchange gain from operating activities — net	**17**	—
Reversal of provision for impairment losses of trade receivables	**166**	357
Reversal of provision/(provision) for decline in value of inventories	**582**	(105)
Charging		
Depreciation of property, plant and equipment	**31,526**	33,724
Amortisation of land use rights	**1,064**	954
Amortisation of intangible assets	**727**	672
Loss on disposal or write-off of property, plant and equipment — net	**6,329**	1,937
Employee benefit expense, including directors' emoluments	**170,640**	135,057
Marketing and advertising expenses	**13,441**	5,404
Operating lease rentals	**4,759**	5,387
Impairment charge of property, plant and equipment	**—**	8,021
Exchange loss from financing activities — 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.*

6 INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current income tax	**11,086**	7,899
Deferred income tax, net	**(4,815)**	(3,619)
Income tax expense	**6,271**	4,280

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2018 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%. Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits of the Group's company in Hong Kong in 2017.

Taxation on Mainland China income has been calculated on the estimated assessable profit for the year 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% (2017: 25%).

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

The profits of subsidiaries of the Group in Mainland China 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 subsidiaries in Mainland China in the foreseeable future in respect of the profits generated since 1 January 2008.

7 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2018	2017
Profit/(loss) attributable to shareholders of the Company *(RMB'000)*	**32,760**	(6,536)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**561,196,557**	475,696,557
Basic earnings/(loss) per share	**RMB0.058**	RMB(0.014)

(b) Diluted

Diluted earnings/(loss) 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 earnings/(loss) per share are the same as the basic earnings/(loss) per share for the year ended 31 December 2018 and 31 December 2017 as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

8 DIVIDENDS

At a meeting of the Board of Directors held on 15 March 2019, the Board of Directors did not recommend any payment of dividend to shareholders for the year ended 31 December 2018 (2017: Nil).

9 TRADE RECEIVABLES

The credit period ranges from 60 to 90 days (2017: 30 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2018 was as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**1,131**	993
31 - 180 days	**7,759**	4,201
181 - 365 days	**253**	746
Over 365 days	**—**	892
	9,143	6,832
Less: provision for impairment	**(94)**	(892)
Trade receivables - net	**9,049**	5,940

10 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date as at 31 December 2018 was as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**40,072**	28,657
31 - 180 days	**15,891**	14,454
181 - 365 days	**190**	394
Over 365 days	**463**	169
	56,616	43,674

MANAGEMENT DISCUSSION AND ANALYSIS

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") is a renowned food and snacks company with strong brand recognition in the People's Republic of China (the "**PRC**"). The Group is principally engaged in the manufacturing, distribution and sale of jelly products, crackers and chips, confectionery and other food and snacks products under the "Qinqin (親親)" brand and seasoning products under the "Shangerry (香格里)" brand. The Group is committed to providing consumers with healthy and safe products. The Group continues to optimise its product portfolio and improve its product competitiveness in order to satisfy new consumer preferences and increase market share, and to further consolidate the leading position of the Group in food and snacks industry.

INDUSTRY ENVIRONMENT

While the food and snacks industry of the PRC faced challenges from economic environment in 2018, the Group believes that the food and snacks industry of the PRC is still an industry with great appeal and development potential. With the increase in consumers' health awareness and income level, new market opportunities are developing. The Group believes that the industry is also under continuing structural adjustment. As consumers pursue healthier and personalised products and favour high quality and innovative products, product development in this industry is becoming more diversified. Under such changes, enterprises have to focus on product innovation and product quality improvement and introduce new products to adapt to changes in consumers' demand and preferences. In addition, sales and distribution channels are also undergoing structural adjustments, resulting in the need for improvement in corporate sales and marketing strategies.

BUSINESS OVERVIEW

The Group's total revenue for 2018 was approximately RMB761.8 million (2017: RMB727.3 million), representing an increase of 4.8% as compared with last year. The gross profit was approximately RMB232.5 million (2017: RMB183.0 million), representing an increase of 27.1% as compared with last year; gross profit margin was 30.5% (2017: 25.2%), representing an increase of approximately 5.3 percentage points as compared with last year. The profit attributable to the Company's shareholders was approximately RMB32.8 million (2017: loss attributable to the Company's shareholders of RMB6.5 million).

With consumers' changing preferences and needs, in order to maintain the appeal of the major products of the Group to mainstream consumers, the Group launched a series of new products in 2018, which had significant refinement and improvement in packaging and flavors, with new packing incorporating younger and more stylish elements.

The increase in revenue and gross profit was mainly due to higher selling prices and gross profit of the new products than those of previous products, and the fact that the Group reduced the intensity of product promotional activities and expenses during the year. The increase in gross profit margin was also mainly attributable to the adjustments on product mix with the increase in the proportion of new products, as well as the reduction in product promotional activities and expenses during the year. The increase in the consolidated net profit was mainly attributable to the increase in revenue and gross profit which was partly offset by the increase in selling and administrative expenses and other expenses incurred to improve the core competitiveness of the Group, and the foreign exchange gain recorded by the Group in 2018 of RMB24.5 million (2017: foreign exchange loss of RMB12.6 million) in relation to the Group's cash and cash equivalent in Hong Kong Dollars ("**HKD**") and United States Dollars ("**USD**") as Chinese Renminbi, in which the Group's financial results are presented, devalued against HKD and USD in 2018.

Jelly products

Sales of jelly products for 2018 were approximately RMB435.2 million (2017: RMB407.9 million), representing an increase of 6.7% as compared with last year and accounting for 57.1% (2017: 56.1%) of total revenue of the Group. The Group continued to conduct product upgrade for its major jelly products. In 2018, the Group readjusted the branding strategies and repositioned the product line on jelly products, changed its sale strategies and reduced the intensity of product promotional activities, through which the average selling price, gross profit and gross profit margin of jelly products increased. In 2018, the gross profit of jelly products business increased by approximately 22.7%, and the gross profit margin increased from approximately 24.2% in 2017 to approximately 27.8% in 2018. On top of the traditional-flavor jelly products, the Group added a pudding jelly product line and a functional jelly product line. The Group also developed and launched two fruit-and-vegetable flavor products, namely「奇蔬妙果」and「果然珍蔬」, a fruit-tea flavor product「茶清果輕」and a soda-flavor product「下課爽」; and developed「小Q仔」, a pudding jelly product line for the children market;「輕美力」, a body management jelly product for the female market; and「禾備」pueraria lobata (葛根) jelly products for the catering market. In addition, in view of the growing sports population, the Group was the first to work with the Institute of Sports Medicine of the General Administration of Sport of China to develop sports functional jelly products, and it has currently developed two product series, namely「蘊能+」and「蘊能PLUS」. Moreover, the Group also completed the refinement on packaging for its old products, so as to extend the life-cycle and increase the competitiveness of the Group's old jelly products in the traditional market and to facilitate the future adjustment and improvement in its product structure.

Crackers and Chips

Sales of crackers and chips for 2018 were approximately RMB210.3 million (2017: RMB208.3 million), representing an increase of 0.9% as compared with last year and accounting for 27.6% (2017: 28.6%) of total revenue of the Group. In 2018, the Group continued to conduct product upgrade for its major crackers and chips products, fully enhanced its prawn cracker products and packaging, launched new flavors to satisfy different demands of consumers, developed and applied new technologies on the production of prawn cracker products, as well as conceived brand-new designs for the product packaging. The Group also launched trendy and innovative crackers and chips products including classic prawn crackers, crayfish flavor series and「倒着吃」prawn meatball series, and these upgraded prawn cracker products completely replaced the old products. Besides launching new products, the Group also changed its sales strategies and reduced the intensity of product promotional activities, and thereby the average selling price, gross profit and gross profit margin of crackers and chips products increased. In 2018, the gross profit of crackers and chips business increased by approximately 20.2%, and the gross profit margin increased from approximately 30.3% in 2017 to approximately 36.1% in 2018, and the Group believes that the continuous introduction and distribution of new products in the market will enable the continuous growth of its crackers and chips business.

Seasoning Products

Sales of seasoning products for 2018 were approximately RMB87.3 million (2017: RMB76.8 million), representing an increase of approximately 13.7% as compared with last year and accounting for 11.5% (2017: 10.6%) of total revenue of the Group. Since late 2017, the Group has established an independent seasoning division, developed specific sales strategies for seasoning products, fully upgraded product packaging, optimised product mix and increased the proportion of products with higher gross profit. As a result, the sales revenue, gross profit and gross profit margin of seasoning products increased.

During the year, the Group continued to step up promotion of its seasoning products in two channels — namely the catering market and the agricultural trade and wholesale market, and also continued to launch products which met the demands of the catering market. Meanwhile, the seasoning division started exploring opportunities to provide customised products and services to catering chain customers and catering supply chain customers, with the aim of seeking market opportunities and new growth drivers in the process of industrialisation of the catering industry.

Confectionery and Other Products

Sales of confectionery and other products for 2018 were approximately RMB29.0 million (2017: RMB34.2 million), representing a decrease of 15.3% as compared with last year and accounting for 3.8% (2017: 4.7%) of total revenue of the Group. Sales of confectionery and other products contributed relatively small proportion to the overall sales of the Group.

Development of Sesame Candy and Rice Wine Business

The Group entered into the Strategic Cooperation Agreement with Xiaogan City People's Government in the PRC in November 2018 to jointly promote the revitalisation and development of the traditional manufacturing industries of sesame candy (麻糖) and rice wine (米酒) (being local specialties of the Xiaogan City). The Group successfully won the bid for a parcel of land of 98,000 square meter located at Xiaonan District of Xiaogan City, on which it planned to construct sesame candy and rice wine research and development and production facilities, aiming to expand the Group's product lines, facilitating the Group's diversified development in its food and snack products business, and further advancing the Group's long-term development and growth.

FUTURE PROSPECTS AND STRATEGIES

Looking forward to 2019, the Group will continue to pursue its corporate development strategy of capturing the opportunities of consumer upgrades through continuous product innovations. The Group remains customer-centric and will continue to enhance its product portfolio and promote product innovation and upgrades. The products of the Group will be developed towards more natural, healthy, secure and high-end to meet different consumer demands and enhance their competitiveness.

The Group is also committed to upgrading its enterprise transformation and innovation management system. During the year, the Group engaged IBM (China) Company Limited to cooperate in undertaking a management consultancy project. Through evaluation of the enterprise management system, the project aims to redesign and adjust the core management elements (including the enterprise management structure), to establish an operational management system with a focus on sales-products-supply chain, and to comprehensively enhance the operational efficiency and core competitiveness of the Group.

Research and Development and Promotion

The Group is committed to developing secure and convenient ready-to-eat new products, as well as establishing a high-quality brand image among consumers. Looking back to 2018, the Group introduced numerous high-end technical talents, restructured the product management center, created an innovative product research and development mechanism and engaged in strategic cooperation with the Institute of Sports Medicine of the General Administration of Sport of China. The new products already launched or to be launched by the Group include but not limited to: functional jelly product series, pudding product series, new fruit cup shape products and more crackers and chips featuring seafood.

The Group also placed emphasis on the development of innovative social media marketing, with an effort to approach and attract young consumers through content marketing, and to make full use of social media including WeChat, Weibo and Douyin for effective interaction with consumers. During the year, the Group engaged Tan Songyun, a popular actress, as its brand ambassador. Tan Songyun had outstanding performance in TV shows including "Empresses in the Palace" (甄嬛傳) and "With You" (最好的我們), and her youthful and energetic image is a perfect match for the Qinqin brand. The Group and Tan Songyun produced three brand TV commercials, taking advantage of the World Cup topic, which were widely broadcasted through Weibo, WeChat and major video websites to focus on young consumers and convey the brand's youthful vitality.

Product Upgrade

The Group believes that health-consciousness and food safety are still the major themes during the upgrade and transformation process of the PRC food industry. Any product upgrade must follow the trend of low sugar, low salt, and with no preservatives.

For jelly products, the Group has set the product development objective in the direction of functional and nutritional products with zero preservatives, zero artificial pigments, zero sweeteners and low calories. The Group developed different products to adapt to the needs of different people, its product line expanded from jelly products with only single fruit flavor to pudding and functional jelly products, offering a variety of options for consumers. While strengthening research and development and being committed to improving the contents of its products, the Group continued to work with different kinds of domestic and overseas enterprises to produce innovative jelly products.

For crackers and chips, the Group targets to become a leading seafood crackers and chips brand in the PRC. Through a series of upgrades in terms of packaging, product and flavor to improve its brand influence and market share, the Group upgraded its product quality by improving tastes and expanding flavors to cater to the preferences of young consumers and regional features, and on refining its classic prawn crackers product line, the Group launched new product lines such as high prawn-content canned prawn crackers and low-salt calcium children's prawn crackers, and expanded the crayfish flavor prawn crackers as well. The Group also worked with professional fast-moving consumer goods design firms to upgrade the packaging of its products and make its product image younger and more stylish.

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

Channel Expansion

Along with product upgrades, the Group will strive to maintain its existing market share and distributors network. The Group will further expand and upgrade its distribution network through sales to snack food branded stores, convenience stores, campus snack stores and other channels. The Group will also increase promotion of its e-commerce and export sales channels to increase sales. The Group will actively work with new retailers including Alibaba and JD and gradually increase the percentage of new retail channel in the Company's channels.

With the online purchase penetration rate further increased, the Group also continued to strengthen its expansion of internet marketing. In 2018, the Group's e-commerce division continued to develop products catering to the characteristics of the e-commerce channel to differentiate from its offline products and increase unit price per customer. The Group will continue to focus on developing its business in e-commerce platforms on Tmall and JD in the year.

Production Facilities Improvement

The Group aimed to reduce the impact of increasing labor costs by increasing the level of our production facilities automation. In 2018, the Group continued to conduct “equipment transformation, production process enhancement, quality improvement” for its production facilities. The Group also upgraded the existing production lines, and established “high-speed, high-yield, low-loss rates and high automation” benchmarking production line in each production base, and during the year, it cooperated with various foreign equipment enterprises for bringing in jelly and crackers and chips products production line with world advanced standards. The Group believes that a highly automated production process with technologically-more-advanced equipment will allow the Group to reduce its reliance on labor, improve production efficiency and accelerate the time-to-market for our products. In addition, the Group continued to adopt measures to save energy and lower consumption and products defective rate.

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

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

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 31 December 2018. As at 31 December 2018, the Group had cash and bank balances of RMB566.1 million (2017: RMB294.4 million). Cash and bank balances were mainly denominated in HKD, USD and RMB. The Group's working capital or net current assets were RMB520.9 million (2017: RMB308.4 million). The current ratio, represented by current assets divided by current liabilities, was 3.9 (2017: 3.5).

As at 31 December 2018, the Group's total equity was RMB868.3 million (2017: RMB671.4 million), representing an increase of 29.3%.

The Group did not have any borrowings as at 31 December 2018 (2017: Nil).

COMMITMENTS AND CONTINGENCIES

As at 31 December 2018, the Group had total capital commitments (contracted but not provided for) of RMB5.3 million (2017: RMB4.6 million).

As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB3.8 million (2017: RMB2.5 million). As at 31 December 2018, the lessors of our leased properties in Taian city, Shandong province were still in the process of obtaining the relevant title documents to the properties.

The Group had no material contingent liabilities as at 31 December 2018 and 31 December 2017.

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 2018, the Group had approximately 2,500 (2017: 2,700) employees. For the year ended 31 December 2018, total employee benefit expenses, including directors' emoluments, was approximately RMB170.6 million (2017: RMB135.1 million). The increase in total employee benefit expenses was mainly attributable to overall pay raise for our employees, the increase in related costs on social welfare and adjustments on performance related bonus for our employee system during the year.

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, RMB devalued against HKD and USD. The Group recorded foreign exchange gain in relation to its cash and cash equivalent in HKD and USD totaling RMB24.5 million (2017: net foreign exchange loss totaling RMB12.6 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 2018 (2017: Nil).

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "**Shareholders**") will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019 (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 Wednesday, 29 May 2019 (the "**2019 AGM**"), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 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 Thursday, 23 May 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Wednesday, 29 May 2019, notice of which will be published on the website of the Company (www.fjqinqin.com) and the designated website of The Stock Exchange of Hong Kong Limited (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 dated 20 January 2018 entered into between the Company and the subscribers, an aggregate of 95,000,000 ordinary shares of the Company of HKD0.01 each in the share capital of the Company (the "**Shares**") were issued at HKD2.11 per Share (the "**Subscription Price**") to the subscribers on 6 February 2018 (the "**Subscription**"). The aggregate nominal value of the Shares under the Subscription is HK$950,000. The Subscription Price represents (i) a discount of approximately 4.52% to the closing price of HK$2.21 per Share as quoted on the Stock Exchange on 19 January 2018, the date on which the terms of the subscription agreement were fixed; and (ii) a discount of approximately 2.59% to the average closing price of approximately HK$2.166 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 19 January 2018. The subscribers are independent professional, institutional 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) are third parties independent of the Company and its connected persons. Details of the Subscription were disclosed in the Company's announcements dated 21 January 2018 and 6 February 2018.

The gross and net proceeds of the Subscription were approximately HKD200.45 million (equivalent to approximately RMB161.2 million) and approximately HKD200.25 million (equivalent to approximately RMB161.0 million), respectively. The net subscription price, after deducting such fees, costs and expenses, is therefore approximately HK$2.11 per Share under the Subscription.

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

Net proceeds *(Approximate)*	**Intended use of proceeds as announced**	**Actual use of proceeds for the year ended 31 December 2018**	**Amount of proceeds used for the year ended 31 December 2018** *(Approximate)*
RMB161.0 million	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	Promotion of brands and products and enhancing the presence of sales channels of the Group	RMB141.4 million
		Expansion and upgrade of production facilities	RMB14.3 million
		Research and development for new products	RMB5.3 million

The Company considers that the actual uses of the proceeds from the Subscription mainly focuses on the development, introduction and promotion of new products, expansion and upgrade of production facilities, enhancing our presence in the sales channels and promoting our brands, which are substantially in line with the intended use of proceeds as previously announced.

Save as disclosed herein, the Company did not have any other fund raising activity during the year ended 31 December 2018.

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**") on the Stock Exchange.

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 2018 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 2018. 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 2018.

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 2018.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 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, 15 March 2019

As at 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.