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

PROFIT ALERT ANNOUNCEMENT

This announcement is made by Qinqin Foodstuffs Group (Cayman) Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on a preliminary review and assessment on the Group’s draft unaudited consolidated management accounts for the year ended 31 December 2021 and the information currently available to the Group, it is expected that the Group may record an approximate 9% increase in revenue for the year ended 31 December 2021 as compared to 2020. The increase in revenue was mainly due to the increase in sales volume resulting from (i) the Group’s continuous adjustments on product mix and sales strategies; and (ii) the increase in revenue from the sales of new products.

While the Board expects an increase in revenue for the year ended 31 December 2021, it is expected that the Group would record a loss of approximately RMB81 million for the year ended 31 December 2021 as compared to a consolidated net profit of approximately RMB18 million in 2020 due to the following key contributing factors:

- (i) in accordance with the strategic development plan of the Group, the Group completed the development and construction of four new production bases in different regions of Mainland China, these production bases have commenced operations in the second half of 2020 and the first half of 2021. This resulted in an increase in production costs and administrative expenses as it would take time to achieve economies of scale. The new production bases recorded a net loss of RMB39 million for the year ended 31 December 2021 (2020: net loss of RMB12 million), which reduced the Group's net profit for the year by approximately RMB27 million;
- (ii) the increase in costs of certain raw material and manufacturing overheads which lowered the Group’s net profit by approximately RMB32 million in 2021;

- (iii) the increase in employee wages and salaries and benefit expenses by approximately RMB33 million in 2021 mainly due to salary increment and there was a one-off waiver of social insurance contribution by the Group in 2020 for its employee in Mainland China in which no such waiver was granted in 2021;
- (iv) the reversal of deferred tax assets in relation to tax losses recognised in prior years for certain of the Group's subsidiaries in Mainland China of RMB25 million (2020: Nil), considering that the utilisation of the tax losses is no longer probable;
- (v) the Group recorded a net loss of RMB15 million during the year (2020: net gain of RMB1 million) in profit or loss due to the fair value change of the Group's investment in an unlisted units in investment fund, which were measured at fair value through profit or loss; and
- (vi) the above contributing factors for the additional net losses in 2021 were partly offset by the increase in profit due to the overall increase in sales and the decrease in net loss of e-commerce business as the Group increased the proportion of sales of higher margin products through e-commerce channels in 2021.

While it is expected that the Group would record a loss in 2021 due to the abovementioned factors, the Group has implemented strategies in the last quarter of 2021, including the increase in product price to reduce the impact of increase in cost and to improve gross margin. The Group believes that the investments in new production bases and new products has improved its production capability, quality and efficiency and enhanced its product portfolio, which will be beneficial to the long-term performance of the Group, and the Board is confident of the Group's long-term development and prospects.

The Company is still in the process of finalising the financial results of the Group for the year ended 31 December 2021. This profit alert announcement is only based on the Board's preliminary assessment of the draft unaudited consolidated management accounts of the Group and information currently available to the Board which are subject to finalisation and other potential adjustments, if any, and have not been confirmed or audited by the Company's auditor. Shareholders and potential investors of the Company are advised to read carefully the results announcement of the Company for the year ended 31 December 2021, which is expected to be published in March 2022.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 28 January 2022

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