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

DISCLOSEABLE TRANSACTIONS
CONSTRUCTION AGREEMENTS
FOR CONSTRUCTION AND DEVELOPMENT OF
PRODUCTION BASES

CONSTRUCTION AGREEMENTS

On 10 May 2020, Jining Qinqin (an indirect wholly-owned subsidiary of the Company) entered into 2020 Sishui Production Base Construction Agreement with the Contractor, pursuant to which the Contractor shall provide Jining Qinqin with construction services for new food production plant, warehouse, office building, dormitories and other supporting facilities in replacement of the Group's leased production facilities in Shandong Province, the PRC.

On 5 November 2020, Xiantao Qinqin (an indirect wholly-owned subsidiary of the Company) entered into 2020 Xiantao Production Base Construction Agreement with the Contractor, pursuant to which the Contractor shall provide Xiantao Qinqin with construction services for new food production plant, warehouse, office building, dormitories and other supporting facilities in replacement of the Group's production facilities in Hubei Province, the PRC.

On 13 March 2021, Quanzhou Qinqin (an indirect wholly-owned subsidiary of the Company) entered into 2021 Andong Production Base Construction Agreement with the Contractor, pursuant to which the Contractor shall provide Quanzhou Qinqin with construction services for new production facilities in addition to the existing production base in Fujian Province, the PRC.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio as defined in the Listing Rules in respect of the transactions contemplated under each of the Construction Agreements on a standalone basis exceeds 5% and is less than 25%, the transactions contemplated under each of the Construction Agreements constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

As no announcement had been published in accordance with the applicable requirements under the Listing Rules at the time when each of the Construction Agreements was entered into, such omissions constituted non-compliance with the applicable disclosure requirement under Chapter 14 of the Listing Rules.

BACKGROUND

On 10 May 2020, Jining QinQin (an indirect wholly-owned subsidiary of the Company) entered into 2020 Sishui Production Base Construction Agreement with the Contractor, pursuant to which the Contractor shall provide Jining QinQin with construction services for new food production plant, warehouse, office building, dormitories and other supporting facilities in replacement of the Group's leased production facilities in Shandong Province, the PRC.

On 5 November 2020, Xiantao QinQin (an indirect wholly-owned subsidiary of the Company) entered into 2020 Xiantao Production Base Construction Agreement with the Contractor, pursuant to which the Contractor shall provide Xiantao QinQin with construction services for new food production plant, warehouse, office building, dormitories and other supporting facilities in replacement of the Group's production facilities in Hubei Province, the PRC.

On 13 March 2021, Quanzhou QinQin (an indirect wholly-owned subsidiary of the Company) entered into 2021 Andong Production Base Construction Agreement with the Contractor, pursuant to which the Contractor shall provide Quanzhou QinQin with construction services for new production facilities in addition to the existing production base in Fujian Province, the PRC.

CONSTRUCTION AGREEMENTS

(i) 2020 Sishui Production Base Construction Agreement

The principal terms of 2020 Sishui Production Base Construction Agreement are set out below:

Date: 10 May 2020

Parties: (1) Jining QinQin (an indirect wholly-owned subsidiary of the Company); and
(2) the Contractor

Subject matter: The Contractor shall be responsible for the construction works of food production plant, warehouse, office building, dormitories and other supporting facilities in Sishui Production Base, which is located in Sishui Country, Jining City, Shandong Province, the PRC with a gross floor area of approximately 98,200 m².

Construction period: The construction works are expected to be completed within 365 days after the actual commencement date.

Consideration: The actual fees for the provision of construction services shall be determined by the parties in accordance with the project progress and the market conditions, which shall be further confirmed by the parties in writing. The service fees shall also be subject to adjustments based on a customary price adjustment mechanism with reference to, among others, the market rates of labour costs and raw materials necessary for the construction.

The construction works of Sishui Production Base were divided into three stages and the service fees would be settled by stages in accordance with construction progress. The aggregate considerations of such construction works were estimated at approximately RMB157.1 million.

The said terms of consideration were arrived at after arm's length negotiation between the parties through a quotation process, after having taken into account (i) the Contractor's track record, capacity and qualifications, (ii) the prevailing market rates of the provision of comparable kinds of construction services and (iii) the expected scope, complexity and costs of works undertaken. In particular, the Company had also engaged an independent budgeting consultant for the purpose of the Company's assessment of the reasonableness of the services performed and service fees charged by the Contractor. In light of the above, the Directors considered that such terms of consideration are fair and reasonable.

As at the date of this announcement, the construction works contemplated under 2020 Sishui Production Base Construction Agreement were substantially completed and the actual fees incurred thereunder is approximately RMB185.7 million, which is paid or payable by the Group's internal resources and proceeds from the issue of Shares under general mandate in 2020.

Warranty money: 5% of the aggregate considerations of the construction works under 2020 Sishui Production Base Construction Agreement is withheld as warranty money until the expiry of certain quality warranty periods from the date of delivery.

(ii) 2020 Xiantao Production Base Construction Agreement

The principal terms of 2020 Xiantao Production Base Construction Agreement are set out below:

Date: 5 November 2020

Parties:

- (1) Xiantao QinQin (an indirect wholly-owned subsidiary of the Company); and
- (2) the Contractor

Subject matter: The Contractor shall be responsible for the construction works of food production plant, warehouse, office building, dormitories and other supporting facilities in Xiaotao Production Base, which is located in Xiantao City, Hubei Province, the PRC with a gross floor area of approximately 87,580 m².

Construction period: The construction works are expected to be completed within 365 days after the actual commencement date.

Consideration: The actual fees for the provision of construction services thereunder shall be determined by the parties in accordance with the project progress and the market conditions, which shall be further confirmed by the parties in writing. The service fees shall also be subject to adjustments based on a customary price adjustment mechanism with reference to, among others, the market rates of labour costs and raw materials necessary for the construction.

The construction works of Xiaotao Production Base were divided into three stages and the service fees would be settled by stages in accordance with construction progress. The aggregate considerations of such construction works were estimated at approximately RMB140.1 million.

The said terms of consideration were arrived at after arm's length negotiation between the parties through a quotation process, after having taken into account (i) the Contractor's track record, capacity and qualifications, (ii) the prevailing market rates of the provision of comparable kinds of construction services and (iii) the expected scope, complexity and costs of works undertaken. In particular, the Company had also engaged an independent budgeting consultant for the purpose of the Company's assessment of the reasonableness of the services performed and service fees charged by the Contractor. In light of the above, the Directors considered that such terms of consideration are fair and reasonable.

As at the date of this announcement, the construction works contemplated under 2020 Xiaotao Production Base Construction Agreement are still in progress and the actual fees incurred is approximately RMB91.9 million, which is paid or payable by the Group's internal resources and proceeds from the issue of Shares under general mandate in 2020.

Warranty money: 3% of the aggregate considerations of the construction works under 2020 Xiantao Production Base Construction Agreement is withheld as warranty money until the expiry of certain quality warranty periods from the date of delivery.

(iii) 2021 Andong Production Base Construction Agreement

The principal terms of 2021 Andong Production Base Construction Agreement are set out below:

Date: 15 March 2021

Parties: (1) Quanzhou QinQin (an indirect wholly-owned subsidiary of the Company); and
(2) the Contractor

Subject matter: The Contractor shall be responsible for the construction works of production facilities in Andong Production Base, which is located in Quanzhou City, Fujian Province, the PRC with a gross floor area of approximately 43,636.55 m².

Construction period: The construction works are expected to be completed within 485 days after the actual commencement date.

Consideration: The actual fees for the provision of construction services thereunder shall be determined by the parties in accordance with the project progress and the market conditions, which shall be further confirmed by the parties in writing. The service fees shall also be subject to adjustments based on a customary price adjustment mechanism with reference to, among others, the market rates of labour costs and raw materials necessary for the construction.

The construction works of Andong Production Base were divided into two stages and the service fees would be settled by stages in accordance with construction progress. The aggregate considerations of such construction works were estimated at approximately RMB79.0 million.

The said terms of consideration were arrived at after arm's length negotiation between the parties through a quotation process, after having taken into account (i) the Contractor's track record, capacity and qualifications, (ii) the prevailing market rates of the provision of comparable kinds of construction services and (iii) the expected scope, complexity and costs of works undertaken. In particular, the Company had also engaged an independent budgeting consultant for the purpose of the Company's assessment of the reasonableness of the services performed and service fees charged by the Contractor. In light of the above, the Directors considered that such terms of consideration are fair and reasonable.

As at the date of this announcement, the construction works contemplated under 2021 Andong Production Base Construction Agreement are still in progress and the actual fees incurred is approximately RMB39.9 million, which is paid or payable by the Group's internal resources and/or bank financing.

Warranty money: 5% of the aggregate considerations of the construction works under 2021 Andong Production Base Construction Agreement is withheld as warranty money until the expiry of certain quality warranty periods from the date of delivery.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENTS

The Construction Agreements were entered into for the purpose of the development and construction of new production bases in replacement or expansion of the Group's existing production bases located in different regions in the PRC. The Directors are of the view that the entering into of the Construction Agreements is essential to the strategic development of and beneficial to the Company. In forming such view, the Directors have taken into account the following factors:

- (i) As the principal business of the Group is the manufacturing, distribution and sale of food and snack products, it is vital for the Group to expand its existing product portfolio and promote innovation and upgrades to meet changing consumer preferences, hence the need for transforming and constructing production bases as well as upgrading the production facilities and equipment;

- (ii) The Group also aims at reducing the impact of increasing labour costs by increasing the level of the Group's production facilities automation and optimising its resources through transforming, redeveloping or constructing the production bases and upgrading the machineries and equipment so as to enhance the Group's production capacity and efficiency; and
- (iii) The expansions and additions of the production bases across various different regions in the PRC for different product mix with different strategic values are part of the organic growth of the Group's business over the years. The production bases contemplated under the Construction Agreements are for self-use by the Group for production in the ordinary course of business of the Group, and the expansions and additions thereof were made also in line with the Group's development strategy.

In light of the above, the Directors consider that the transactions contemplated under the Construction Agreements are on normal commercial terms, that the terms of the Construction Agreements are fair and reasonable and that the entering into of the Construction Agreements is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE CONTRACTOR

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

The Contractor is a comprehensive and experienced construction enterprise with several construction qualifications in the PRC including but not limited to the first-grade qualification in building construction general contracting (建築工程施工總承包壹級), the second-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包貳級), the second-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包貳級) and the second-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包貳級), and is principally engaged in various types of construction and engineering works, steel structure designing, real estate developing and building material trading. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Contractor is owned as to 80% equity interest by Cai Youxin*(蔡游欣) and 20% equity interest by Lin Xiaoyun*(林曉雲). To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are the Independent Third Parties.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio as defined in the Listing Rules in respect of the transactions contemplated under each of the Construction Agreements on a standalone basis exceeds 5% but is less than 25%, the transactions contemplated under each of the Construction Agreements constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

As no announcement had been published in accordance with the applicable requirements under the Listing Rules at the time when each of the Construction Agreements was entered into, such omissions constituted non-compliance with the applicable disclosure requirement under Chapter 14 of the Listing Rules. The Company regrets its non-compliance with the Listing Rules as disclosed in this announcement and would like to stress that such non-compliance was inadvertence and misapprehension on its part as to the treatment of the transactions contemplated under the Construction Agreements under Chapter 14 of the Listing Rules, and the Company would like to stress that it had no intention to withhold from its shareholders or potential investors any information relating to the Construction Agreements. Indeed, the Company always intends to keep the Shareholders abreast of its strategy and development. The Construction Agreements were entered into consistent with the Company's plan to build new production facilities as mentioned in (i) the Company's announcements dated 29 November 2019 and 22 December 2020 respectively for the disposal of land use rights and property and the issue of new shares under general mandate; and (ii) the Company's 2019, 2020 and 2021 annual reports which set out, among other things, the progresses of the construction and development of the Group's production bases.

To prevent the reoccurrence of similar incidents of non-compliance with the Listing Rules as disclosed in this announcement, the Company has adopted the following measures:

- (a) The Company has reminded all the relevant staff and management of the treatment of the transactions contemplated under the Construction Agreements under Chapter 14 of the Listing Rules to avoid delay in disclosure in the future should such obligation arise. The Company will also offer trainings to the relevant personnel and the Directors relating to notifiable transactions under the Listing Rules in order to strengthen and reinforce their existing knowledge as well as their ability to identify potential issues at an early stage.
- (b) The Company will work more closely with its legal advisers on compliance issues and shall, as and when appropriate, consult other professional advisers before entering into any potential notifiable transaction. If necessary, the Company might also consult the Stock Exchange on the proper treatment of a proposed transaction.

- (c) The Company will strengthen the coordination and reporting arrangements for notifiable transactions among various departments of the Company to ensure due compliance of the Listing Rules. Prior to entering into any transaction of capital nature in the future, the relevant departments will be notified and draft agreements will be circulated for their review to ensure compliance with applicable requirements under the Listing Rules.

The Directors believe that the implementation of the remedial measures as disclosed in this announcement will effectively rectify such misapprehension, strengthen and reinforce the knowledge of the responsible staff, management and Directors relating to notifiable transactions under the Listing Rules, and improve the regulatory compliance abilities of the Company in the identification and reporting of related issues with assistance from appropriate external advisers.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Andong Production Base”	a production base of the Group located in Quanzhou City, Fujian Province, the PRC with a gross floor area of approximately 43,636.55 m ²
“Board”	the board of Directors
“Company”	Qinqin Foodstuffs Group (Cayman) Company Limited (Stock Code: 1583), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Contractor”	Fujian Jinnan Construction Group Co., Ltd* (福建省晉南建設集團有限公司), a company established under the laws of the PRC with limited liability
“Construction Agreements”	2020 Sishui Production Base Construction Agreement, 2020 Xiantao Production Base Construction Agreement and 2021 Andong Production Base Construction Agreement
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) independent of the Company and the connected persons of the Company
“Jining QinQin”	Jining QinQin Food Technology Co., Ltd., a company established under the laws of the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Quanzhou QinQin”	Quanzhou QinQin Foodstuff Co., Ltd., a company established under the laws of the PRC with limited liability
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement)
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sishui Production Base”	a production base of the Group located in Sishui County, Jining City, Shandong Province, the PRC with a gross floor area of approximately 98,200 m ²
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiantao QinQin”	Xiantao QinQin Food Technology Co., Ltd., a company established under the laws of the PRC with limited liability

“Xiantao Production Base”	a production base of the Group located in Xiantao City, Hubei Province, the PRC with a gross floor area of approximately 87,580 m ²
“2020 Sishui Production Base Construction Agreement”	the construction agreement dated 10 May 2020 and its supplemental agreement dated 10 May 2020 entered into between Jining QinQin and the Contractor for the construction works of Sishui Production Base
“2020 Xiantao Production Base Construction Agreement”	the construction agreement dated 5 November 2020 and its supplemental agreement dated 5 November 2020 entered into between Xiantao QinQin and the Contractor for the construction works of Xiantao Production Base
“2021 Andong Production Base Construction Agreement”	the construction agreement dated 15 March 2021 and its supplemental agreement dated 20 March 2021 entered into between Quanzhou QinQin and the Contractor for the construction works of Andong Production Base
“%”	per cent
“m ² ”	square metres

The English translation of Chinese names or words in this announcement, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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

Hong Kong, 27 April 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.