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 2022

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE AND RATIOS

For the year ended 31 December	**2022**	2021	**Changes**
	RMB'000	*RMB'000*	
Revenue	**957,569**	860,254	**11.3%**
Gross profit	**247,317**	214,343	**15.4%**
Gross profit margin	**25.8%**	24.9%	**0.9% points**
EBITDA (1)	**76,861**	7,750	**891.8%**
Loss attributable to equity shareholders of the Company	**(1,387)**	(80,841)	**-98.3%**
Loss per share			
— Basic	**RMB (0.002)**	RMB (0.107)	
— Diluted	**RMB (0.002)**	RMB (0.107)	

As at 31 December	**2022**	2021	**Changes**
	RMB'000	*RMB'000*	
Total assets	**2,056,733**	1,916,728	**7.3%**
Net cash position (2)	**274,115**	342,307	**-19.9%**
Net current assets	**91,240**	91,669	**-0.5%**
Total equity attributable to equity shareholders of the Company	**1,234,135**	1,266,963	**-2.6%**
Return on equity (3)	**-0.1%**	-6.4%	**-6.3% points**
Net asset per share	**RMB 1.6**	RMB 1.7	
Finished goods turnover days (4)	**19 days**	23 days	
Trade receivables turnover days (5)	**2 days**	3 days	

Notes:

(1) EBITDA is equal to the loss or profit for the year before finance income, finance costs (excluded other finance charges), income tax, depreciation, amortisation, share of net losses of associates and net fair value changes on financial assets at fair value through profit or loss.

(2) Net cash position is equal to cash and bank balances net of bank borrowings.

(3) Return on equity is equal to loss or profit attributable to equity shareholders divided by total shareholders' equity at the end of the relevant year.

(4) Finished goods turnover days is equal to the average balance of finished goods divided by the cost of sales and multiplied by the number of days in the relevant year.

(5) Trade receivables turnover days is equal to the average balance of trade receivables divided by the revenue and multiplied by the number of days in the relevant year.

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 2022, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**957,569**	860,254
Cost of goods sold	*4*	**(710,252)**	(645,911)
Gross profit		**247,317**	214,343
Distribution cost and selling expenses	*4*	**(139,556)**	(138,146)
Administrative expenses	*4*	**(122,690)**	(135,665)
Net impairment reversal on financial assets		**47**	1,186
Other income and other gains — net	*5*	**16,885**	3,291
Operating profit/(loss)		**2,003**	(54,991)
Finance income	*6*	**10,864**	12,911
Finance costs	*6*	**(3,921)**	(5,818)
Finance income — net		**6,943**	7,093
Share of net losses of associates		**(1,115)**	(756)
Profit/(loss) before income tax		**7,831**	(48,654)
Income tax expense	*7*	**(9,599)**	(32,243)
Loss for the year		**(1,768)**	(80,897)
Loss for the year attributable to:			
Equity shareholders of the Company		**(1,387)**	(80,841)
Non-controlling interests		**(381)**	(56)
		(1,768)	(80,897)
Loss per share for loss attributable to equity shareholders of the Company	*8*		
— Basic loss per share (expressed in RMB per share)		**RMB (0.002)**	RMB (0.107)
— Diluted loss per share (expressed in RMB per share)		**RMB (0.002)**	RMB (0.107)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss for the year	**(1,768)**	(80,897)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(6)**	(261)
Items that may not be reclassified to profit or loss		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax	**(33,580)**	11,000
Other comprehensive (loss)/income for the year, net of tax	**(33,586)**	10,739
Total comprehensive loss for the year	**(35,354)**	(70,158)
Total comprehensive loss for the year is attributable to:		
Equity shareholders of the Company	**(34,973)**	(70,102)
Non-controlling interests	**(381)**	(56)
	(35,354)	(70,158)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**827,076**	709,859
Construction-in-progress		**321,734**	230,530
Right-of-use assets	*10*	**79,640**	82,067
Intangible assets		**2,192**	2,610
Prepayments for non-current assets		**13,655**	30,018
Deferred income tax assets		**9,264**	13,401
Investments in associates		**35,917**	37,032
Financial assets at fair value through other comprehensive income	*11*	**49,155**	93,899
		1,338,633	1,199,416
Current assets			
Inventories		**150,122**	157,695
Trade receivables	*12*	**3,088**	5,153
Other receivables, prepayments and deposits		**28,310**	62,973
Financial assets at fair value through profit or loss	*13*	**34,448**	51,820
Cash and bank balances		**502,132**	439,671
		718,100	717,312
Total assets		**2,056,733**	1,916,728
Equity			
Share capital		**6,433**	6,433
Other reserves		**725,715**	754,819
Retained earnings		**501,987**	505,711
Capital and reserves attributable to equity shareholders of the Company		**1,234,135**	1,266,963
Non-controlling interests		**563**	944
Total equity		**1,234,698**	1,267,907
Liabilities			
Non-current liabilities			
Borrowings	*15*	**181,817**	—
Lease liabilities	*10*	**6,765**	6,473
Deferred income tax liabilities		**6,593**	16,705
		195,175	23,178
Current liabilities			
Trade payables	*14*	**154,020**	100,321
Other payables and accrued charges		**300,784**	293,218
Contract liabilities		**123,703**	133,646
Current income tax liabilities		**2,153**	1,094
Borrowings	*15*	**46,200**	97,364
		626,860	625,643
Total liabilities		**822,035**	648,821
Total equity and liabilities		**2,056,733**	1,916,728

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 Act 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, Admiralty, 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.

The ultimate holding company of the Company is Sure Wonder Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Hui Ching Lau. The ultimate controlling party of the Group is Mr. Hui Ching Lau.

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 HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities measured at fair value.

(1) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

Amendment to HKAS 16	Property, Plant and Equipment — Proceeds Before Intended Use
Amendment to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 (Amendments)
Amendments to HKFRS 3	Reference to the Conceptual Framework

The 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. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES *(Continued)*

(2) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to standards relevant to the Group have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

Standards		Effective for annual periods beginning on or after
HKFRS 17 and amendments to HKFRS 17	Insurance contracts and the Related Amendments	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

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 2022				
	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	**564,838**	**265,060**	**73,635**	**54,036**	**957,569**
Cost of goods sold	**(407,209)**	**(198,491)**	**(54,617)**	**(49,935)**	**(710,252)**
Results of reportable segments	**157,629**	**66,569**	**19,018**	**4,101**	**247,317**

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

Results of reportable segments	**247,317**
Distribution cost and selling expenses	**(139,556)**
Administrative expenses	**(122,690)**
Net impairment reversal on financial assets	**47**
Other income and other gains — net	**16,885**
Finance income	**10,864**
Finance costs	**(3,921)**
Share of net losses of associates	**(1,115)**
Profit before income tax	**7,831**
Income tax expense	**(9,599)**
Loss for the year	**(1,768)**

Other segment information is as follows:

Depreciation and amortisation charges					
Allocated	**26,175**	**26,550**	**5,459**	**7,576**	**65,760**
Unallocated					**741**
					66,501
Capital expenditures					
Allocated	**202,466**	**34,868**	**26,288**	**10,980**	**274,602**
Unallocated					**44**
					274,646

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Year ended 31 December 2021				
	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	473,003	225,375	83,485	78,391	860,254
Cost of goods sold	(342,949)	(171,589)	(57,187)	(74,186)	(645,911)
Results of reportable segments	130,054	53,786	26,298	4,205	214,343

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

Results of reportable segments	214,343
Distribution cost and selling expenses	(138,146)
Administrative expenses	(135,665)
Net impairment reversal on financial assets	1,186
Other income and other gains — net	3,291
Finance income	12,911
Finance costs	(5,818)
Share of net losses of associates	(756)
Loss before income tax	(48,654)
Income tax expense	(32,243)
Loss for the year	(80,897)

Other segment information is as follows:

Depreciation and amortisation charges					
Allocated	24,723	10,943	5,070	6,273	47,009
Unallocated					1,066
					48,075
Capital expenditures					
Allocated	54,824	180,418	28,807	15,292	279,341
Unallocated					74,609
					353,950

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 accounting 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. EXPENSES BY NATURE

Expenses included in cost of goods sold, distribution and selling expenses and administrative expenses were analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Raw materials and consumables used	**494,342**	442,324
Changes in inventories of work-in-progress and finished goods	**498**	6,750
Employee benefit expense, including directors' emoluments	**214,029**	203,615
Utilities and various office expenses	**80,843**	73,838
Transportation and packaging expenses	**55,533**	55,095
Depreciation of property, plant and equipment	**63,651**	45,187
Travelling expenses	**16,966**	18,718
Marketing and advertising expenses	**3,581**	8,826
Research and development expenses	**5,752**	7,407
Provision for/(reversal of) decline in value of inventories	**2,570**	(4,909)
Short-term lease expenses *(note 10)*	**2,465**	4,235
Amortisation of right-of-use assets *(note 10)*	**2,427**	2,450
Auditor's remuneration	**1,200**	2,000
Amortisation of intangible assets	**423**	438
Others	**28,218**	53,748
Total cost of sales, distribution cost and selling expenses and administrative expenses	**972,498**	919,722

5. OTHER INCOME AND OTHER GAINS — NET

	2022	2021
	RMB'000	*RMB'000*
Government grants	**19,604**	18,946
Net fair value losses on financial assets at fair value through profit or loss	**(9,372)**	(15,122)
Compensation received from/(payment to) suppliers	**2,288**	(3,865)
Gains on disposal of investments in an associate	**—**	2,380
Penalty income	**813**	629
Gains on write-off of payables	**1,116**	520
Losses on disposal of property, plant and equipment — net	**(1,316)**	(408)
Operating lease income	**4,331**	—
Others	**(579)**	211
	16,885	3,291

Governments grants received during the year primarily comprised financial subsidies received from various local government authorities in the PRC. There are no unfulfilled conditions or contingencies relating to these governments grants.

6. FINANCE INCOME AND FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Finance income:		
Exchange gains	**247**	—
Interest income from bank deposits	**10,617**	12,911
	10,864	12,911
Finance costs:		
Exchange losses	**—**	(2,482)
Interest expense for borrowings	**(2,614)**	(2,648)
Interest expense for lease liabilities	**(292)**	(232)
Other finance charges	**(1,015)**	(456)
	(3,921)	(5,818)
Finance income — net	**6,943**	7,093

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2021: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022	2021
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax ("**EIT**")	**4,410**	(6,276)
Deferred income tax, net	**5,189**	38,519
Income tax expense	**9,599**	32,243

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory income tax rate of the Company and its PRC subsidiaries is 25% for both years.

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

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.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB46,857,000 (2021: RMB61,028,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As at 31 December 2022, deferred income tax liabilities of approximately RMB2,343,000 (2021: RMB3,051,000) have not been recognised for the withholding tax that would be payable on such unremitted earnings of those PRC subsidiaries.

8. LOSS PER SHARE

(a) Basic

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

	2022	2021
Loss attributable to equity shareholders of the Company *(RMB'000)*	**(1,387)**	(80,841)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**755,096,557**	755,096,557
Basic loss per share	**RMB(0.002)**	RMB(0.107)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the year ended 31 December 2021. The potential shares arising from the conversion of the Company's share options would decrease the loss per share attributable to equity holders of the Company and was not taken into account as they had anti-dilutive effect.

Diluted loss per share is the same as basic loss per share for the year ended 31 December 2022, as the share options had no dilutive effect on ordinary shares for the year because the exercise price of the Company's share options was higher than the average market price of the Company's shares in the year.

9. DIVIDENDS

At a meeting of the Board of Directors held on 17 March 2023, the Board of Directors did not recommend any payment of dividend to shareholders for the year ended 31 December 2022 (2021: Nil).

10. LEASES (INCLUDING LAND USE RIGHTS)

Right-of-use assets and lease liabilities as at year end:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**4,875**	5,484
Land use rights	**74,765**	76,583
	79,640	82,067
Lease liabilities		
Buildings		
— Non-current	**6,765**	6,473

	2022	2021
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within a period of more than two years but not exceeding five years	**1,779**	652
Within a period of more than five years	**4,986**	5,821
	6,765	6,473

10. LEASES (INCLUDING LAND USE RIGHTS) *(Continued)*

Movements in right-of-use assets during the year are analysed as follows:

	Buildings	**Land use rights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	7,587	78,351	85,938
Additions	—	73	73
Modification of lease term	(1,494)	—	(1,494)
Amortisation charges *(note 4)*	(609)	(1,841)	(2,450)
At 31 December 2021 and 1 January 2022	5,484	76,583	82,067
Amortisation charges *(note 4)*	(609)	(1,818)	(2,427)
At 31 December 2022	4,875	74,765	79,640

As at 31 December 2022, certain land use rights of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, the PRC, with carrying amount of approximately RMB6,118,000 (2021: RMB6,266,000) were still in the process of applying for the ownership certificates.

The total cash outflow for leases in 2022, not considering the receipt of government grant, was RMB2,465,000 (2021: RMB4,235,000).

The Group leases various offices and warehouses, and a production property. Rental contracts are typically made for fixed periods from 1 year to 10 years but may have extension options as described below.

Extension options are included in a number of office leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	RMB'000	*RMB'000*
Unlisted equity investments		
At 1 January	**93,899**	61,610
Additions	**—**	17,696
Fair value changes	**(44,744)**	14,593
At 31 December	**49,155**	93,899

As at 31 December 2022, the Group held equity investments in a number of consumer products companies with anticipated fast-growing potential and synergy with the Group's business.

As at 31 December 2022 and 2021, the Group intended to invest in these unlisted equity investments for long-term purposes and did not expect any immediate disposal of these unlisted equity investments in the short term. Accordingly, these unlisted equity investments are classified as non-current assets and measured at fair value.

12. TRADE RECEIVABLES

The credit period ranges from 30 to 90 days (2021: 30 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2022 was as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**1,212**	5,153
31 — 180 days	**1,876**	—
Over 365 days	**—**	47
	3,088	5,200
Less: provision for impairment	**—**	(47)
Trade receivables — net	**3,088**	5,153

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Unlisted investment fund units	**32,448**	49,820
Unlisted equity investments	**2,000**	2,000
	34,448	51,820

14. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date as at 31 December 2022 was as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**133,889**	89,185
31 — 180 days	**10,107**	8,957
181 — 365 days	**3,484**	1,690
Over 365 days	**6,540**	489
	154,020	100,321

15. BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Current		
Bank loans — unsecured	**11,000**	8,000
Bank loans — secured	**35,200**	79,800
Bank overdraft — secured	**—**	9,564
	46,200	97,364
Non-current		
Bank loans — unsecured	**39,717**	—
Bank loans — secured	**142,100**	—
	181,817	—
Total borrowings	**228,017**	97,364

The secured borrowings of the Group as at 31 December 2022 and 2021 were secured by the Group's land use rights, buildings and restricted bank deposits.

For the year ended 31 December 2022, the weighted average effective interest rates on borrowings were 2.94% (2021: 2.99%).

The carrying amounts of borrowings are denominated in the following currencies:

	2022	2021
	RMB'000	*RMB'000*
USD	**—**	9,564
RMB	**228,017**	87,800
	228,017	97,364

The fair values of borrowings approximate their carrying amounts as of the balance sheet date.

15 BORROWINGS *(Continued)*

The maturity analysis of borrowings is as follows:

	2022	2021
	RMB'000	*RMB'000*
The carrying amounts of the above borrowings are repayable:		
— Within one year	**46,200**	97,364
— Within a period of more than one year but not exceeding two years	**59,850**	—
— Within a period of more than two years but not exceeding five years	**100,258**	—
— Within a period of more than five years	**21,709**	—
	228,017	97,364
Less: Amounts due within one year shown under current liabilities	**(46,200)**	(97,364)
Amounts shown under non-current liabilities	**181,817**	—

The exposure of borrowings is as follows:

	2022	2021
	RMB'000	*RMB'000*
— Fixed-rate borrowings	**41,800**	97,364
— Variable-rate borrowings	**186,217**	—
	228,017	97,364

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, seasoning products, confectionery, rice wine and other food and snacks products under "Qinqin (親親)", "Shangerry (香格里)" and "A Snack Shop (親親物語)" brands.

INDUSTRY ENVIRONMENT

In 2022, due to the impact of "COVID-19" epidemic, many cities in China implemented lockdown measures. It restricted the travel of consumers or reduced their willingness to travel, which affected their desire to spend. In addition, under the continuous impact of the epidemic, global economy and other geopolitical issues on the global supply chain, operating costs including raw material prices and labor costs continued to rise, which had a certain impact on the Group's business operations. Despite the ever-changing operating environment, the Group continues to make timely response and implement immediate strategies with the goal of maintaining revenue growth and controlling the impact of rising costs, in order to reduce operating risks and enhance profit growth.

With the improvement of consumers' health concept and living standards, consumers' consumption pattern is changing towards pursuing products with focus on flavor, nutrition, enjoyment and function. Enterprises have to introduce new innovative products with high-quality and nutrition value timely to adapt to changes in consumers' demand and preferences. Coupled with factors such as the increasing imported food competitions, rising raw material prices and labor costs, snack food companies have to compete with both domestic and foreign industry companies. Despite facing various challenges, the Group still believes that food and snack industry in the PRC will continue to develop with the overall economic development and rising consumer demand in PRC, and expected that it still has huge development potential in the future.

BUSINESS OVERVIEW

For the year ended 31 December 2022 (the "**Reporting Period**"), the Group's total revenue was approximately RMB957.6 million (2021: RMB860.3 million), representing an increase of approximately RMB97.3 million or 11.3% year-on-year. The increase in revenue was mainly due to the strengthening of the Group's management of distribution channels and retail terminals during the year, resulting in an increase in overall sales. During the Reporting Period, the Group also increased product prices, continued to adjust product mix and sales strategies, and focused on development of new product with higher profit margin to enrich the product portfolio which increased overall product sales and profit margin.

For the Reporting Period, the Group's gross profit and gross profit margin both increased. Gross profit for the Reporting Period was approximately RMB247.3 million (2021: RMB214.3 million), representing an increase of approximately RMB33.0 million or 15.4% year-on-year; gross profit margin was 25.8% (2021: 24.9%), representing an increase of approximately 0.9 percentage points year-on-year. In addition, in the Reporting Period, the Group recorded a consolidated net loss attributable to the shareholders of the Company of approximately RMB1.4 million, as compared to the consolidated net loss attributable to the shareholders of the Company of approximately RMB80.8 million for the year ended 31 December 2021, with a significant reduction of net losses of approximately RMB79.4 million.

The increase in revenue, gross profit, gross profit margin and significant reduction in net loss of the Group in the Reporting Period was mainly attributable to the following factors:

(i) there was an increase in overall product sales volume during the Reporting Period as the Group strengthened the management of distribution channels and retail terminals and there were expansion of sales of products in the local surrounding areas of the Group's several new production bases. In addition, there was an increase in revenue from the sales of major products and certain new products, resulting in an increase in overall sales. The Group also increased product prices in the Reporting Period to offset the impact of increased costs, which resulted in the increase in gross profit of approximately RMB33.0 million and gross profit margin of approximately 0.9 percentage points in the Reporting Period;

(ii) the Group reduced the sales of low-margin products through e-commerce channels during the Reporting Period, and related selling and administrative expenses also decreased accordingly, resulting in a decrease in overall loss by RMB13.7 million;

(iii) the Group recorded a 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 RMB25.4 million in the year ended 31 December 2021, considering that the utilisation of tax losses was no longer probable, whereas there were no such losses recorded by the Group in the Reporting Period; and

(iv) the Group recorded a net loss of approximately RMB9.4 million in the Reporting Period (2021: net loss of RMB15.1 million) 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. The relevant net loss decreased by approximately RMB5.7 million during the Reporting Period.

Jelly products

Sales of jelly products in the Reporting Period were approximately RMB564.8 million (2021: RMB473.0 million), representing an increase of approximately 19.4% year-on-year, and accounting for 59.0% (2021: 55.0%) of total revenue of the Group. Gross profit was approximately RMB157.6 million (2021: RMB130.1 million), representing an increase of approximately 21.1% year-on-year. Gross profit margin was approximately 27.9% (2021: 27.5%), representing an increase of approximately 0.4 percentage points year-on-year.

In the Reporting Period, the increase in revenue, gross profit and gross profit margin of jelly products were mainly attributable to the Group's enhanced management of distribution channels and retail terminals during the Reporting Period, resulting in an increase in overall sales. In addition, the Group raised product prices in the fourth quarter of 2021, and continued to optimize its product mix and sales strategies, launching new products with higher gross profit, including「布丁小方凍」,「初雪微融冰淇淋布丁」,「蒟蒻果汁果凍」and「益生菌奶昔」, which successfully offset the impact of increased production costs.

Crackers and Chips

Sales of crackers and chips in the Reporting Period were approximately RMB265.1 million (2021: RMB225.4 million), representing an increase of approximately 17.6% year-on-year, and accounting for 27.7% (2021: 26.2%) of total revenue of the Group. Gross profit was approximately RMB66.6 million (2021: RMB53.8 million), representing an increase of approximately 23.8% year-on-year. Gross profit margin was approximately 25.1% (2021: 23.9%), representing an increase of approximately 1.2 percentage points year-on-year.

The sales of crackers and chips maintained a steady growth in the Reporting Period, mainly because the Group strengthened the management of distribution channels and retail terminals during the Reporting Period, and continued to develop markets in southern China where the sales were relatively weak and new markets in the southwest and northwest, resulting in an increase in overall sales. Furthermore, the Group raised product prices in the fourth quarter of 2021, continued to optimize its product mix and sales strategies, and focused on the continual expansion and launch of new product series such as「薯片」and「親親圈」, thereby leading to a growth in sales, gross profit and gross profit margin during the Reporting Period.

Seasoning Products

Sales of seasoning products in the Revelant Period were approximately RMB73.6 million (2021: RMB83.5 million), representing a decrease of approximately 11.9% year-on-year, and accounting for 7.7% (2021: 9.7%) of total revenue of the Group. Gross profit was approximately RMB19.0 million (2021: RMB26.3 million), representing a decrease of approximately 27.8% year-on-year. Gross profit margin was approximately 25.8% (2021: 31.5%), representing a decrease of approximately 5.7 percentage points year-on-year.

In the Relevant Period, due to the impacts of the COVID-19 pandemic, various cities across the PRC implemented lockdown measures. Some restaurants were forced to shut down, resulting in a decrease in the revenue of the seasoning business. Furthermore, the costs of major raw materials for seasoning products have continued to rise since the second half of 2021, leading to a decline in sales, gross profit and gross profit margin during the Relevant Period.

Confectionery and Other Products

Confectionery and other products include confectionary products, new snack products under the brand of "A Snack Shop (親親物語)" such as dried fruits, nuts, biscuits, bakery and dried meat and vegetarian snack products and rice wine and sesame candy products. Sales of confectionery and other products in the Relevant Period were approximately RMB54.0 million (2021: RMB78.4 million), representing a decrease of approximately 31.1% year-on-year, and accounting for 5.6% (2021: 9.1%) of total revenue of the Group. Gross profit margin was approximately 7.6% (2021: 5.4%), representing an increase of approximately 2.2 percentage points year-on-year.

The decrease in sales during the Relevant Period was mainly attributable to the decrease in sales of new snack products under the brand of "A Snack Shop (親親物語)". These products are mainly produced by other suppliers and sold through e-commerce channels, resulting in higher selling expenses and lower gross profit margins. During the Relevant Period, the Group adjusted its strategy to reduce the sales of those loss-making products in e-commerce channels and increased the proportion of self-produced products with higher gross profit, resulting in an increase in the overall gross profit margin and profit margin and a decrease in sales. Besides, the new rice wine and sesame candy products launched last year had an increase in sales during the Relevant Period, but the total sales volume was still relatively low and was unable to meet the expectations. As the new production base for the rice wine and sesame candy has not yet achieved economies of scale, the production costs are relatively high, resulting in gross losses for rice wine and sesame products segment, therefore the gross profit margin for this segment was comparatively lower than other segments.

Distribution and Selling Expenses

Distribution and selling expenses mainly represented staff costs, transportation costs, marketing and advertising expenses and other selling related expenses. Distribution and selling expenses in the Relevant Period were approximately RMB139.6 million (2021: RMB138.1 million), representing an increase of 1.1% year-on-year, and accounting for 14.6% (2021: 16.0%) of total revenue of the Group. The year-on-year increase in distribution and selling expenses was a net effect of (i) the increase in salaries and bonuses of the sales team which has been increased due to the overall increase in sales and good performance of the sales team; the reduction in marketing and promotional activities for the Relevant Period; and (iii) the decrease in selling expenses in relation to the sales of product through e-commerce channels due to the Group's strategies adjustments.

In order to improve the overall profitability and profit margin, the Group has implemented measures to tighten the control over expenses during the Relevant Period. As a result, the distribution and selling expenses as a percentage of the total revenue of the Group has decreased accordingly during the Relevant Period.

Administrative Expenses

Administrative expenses mainly represented staff costs, depreciation of property plant and equipment, property and land-use taxes, utilities and various office expenses and other administrative expenses. Administrative expenses in the Relevant Period were approximately RMB122.7 million (2021: RMB135.7 million), representing a decrease of 9.6% year-on-year, and accounting for 12.8% (2021: 15.8%) of total revenue of the Group. The year-on-year decrease was mainly attributable to the fact that some of the new production bases were still in trial production in 2021, and the relevant production costs were included in administrative expenses. The production costs were then included in cost of sales when the new production bases were officially put into operation during the Relevant Period. Besides, the relocation of the production base incurred one-off expenses for relocation and severance pay in the 2021, so the administrative expenses decreased during the Relevant Period.

Strategic Development Investment Projects

As part of the strategic development plans and business expansion strategies of the Group, the Group has invested in a number of consumer goods companies with fast-growing potential and synergy with the Group's business. In the Relevant Period, the Group had no new investment projects. These companies mainly engage in the production or sale of food, beverage and alcohol products in the PRC and abroad.

During the Relevant Period, there was a decrease in the fair value of certain investments of the Group as the business performance of these investments were negatively affected by the persistent impact of COVID-19. As a result, the Group recognised a fair value loss through other comprehensive income of RMB33.6 million (2021: the fair value gain through other comprehensive income was approximately RMB11.0 million) during the Relevant Period based on the business valuation of these investments as at 31 December 2022. The Group believes that the strategic investments in these companies will be beneficial to the long-term development and industrial layout of the Group.

Product Development and Upgrade

The Group is committed to developing popular, natural and healthy products with high nutritious value and quality. The Group's product management center, leveraging its outstanding professional technical talents as well as research and development capabilities for innovative products, has enhanced its creativity in areas such as product development, packaging design and brand marketing. The Group has increased its investment in product innovation, production facilities and quality inspection equipment, thereby ensuring the speed and efficiency of the development and launching of new products.

For jelly products, the Group launched new products with higher gross profit during the Relevant Period, including「布丁小方凍」,「初雪微融冰淇淋布丁」,「蒟蒻果汁果凍」,「益生菌奶昔」 and other products. The Group will focus on increasing the sales of key products and continue to launch innovative, healthy and delicious products and keep adjusting marketing strategies for new product. The Group believes that with the continual introduction and launch of new products, it will contribute to the sustainable development and growth of the jelly product business.

For crackers and chips, the Group will continue to deepen the leading position of the prawn cracker. Through a series of measures such as improving taste, upgrading packaging and increasing flavors, the Group launched a new prawn cracker product with a low-sodium formula, so as to meet consumers' demand for healthy snacks. The new product reduces sodium by 40% based on the classic version. In addition, the Group will keep focusing on the continual expansion and launch of new product series such as「薯片」and「親親圈」, increase the development and exposure of promotional activities at retail terminals, and continue to consolidate the Group's leading position in the market.

For seasoning products, the Group will continue to adopt "make cooking easier" as the target goal for its product and brand development. The Group will aim to increase the proportion of high-margin products through a series of upgrades on packaging and to increase market share and brand influence. The Group will continue to step up the promotion of its seasoning products in two channels, namely the catering market and the household market, develop more sales points, and launch more products to meet the demands of the catering and household markets. Meanwhile, with the aim of seeking market opportunities and new growth drivers in the process of industrialisation of the catering industry, the Group will continue to provide customised products and services to catering chain customers and catering supply chain customers.

For other snacks products, the Group will continue to develop new snack food, including candy, chocolate, biscuits, bakery and rice wine snacks products. As consumers gradually increase attention to healthy diets, the Group will conduct in-depth research on consumer habits, and develop new snack products with a healthy concept, in order to provide consumers with products with different tastes and flavour, and continue to expand new product categories to increase sales revenue.

Promotion and Marketing

The Group will continue to strengthen the management of distribution channels and retail terminals, increase the number of retail sales points, and expand product sales in the areas surrounding the new production bases. The Group will continue to focus on promoting key products and crossover products, re-optimize key products and upgrade their packaging, so as to better support brand exposure.

The Group made full use of social media including WeChat, Weibo, TikTok, Xiaohongshu and bilibili to establish effective interaction with young consumers, took an advantage of fan economy and built a private community for large-scale marketing exposure to increase its brand awareness. In terms of sales channels,「咖啡圈」,「巧克力圈」and「蒟蒻可吸凍」were mainly promoted through e-commerce and convenience stores in first and second tier cities based on the behavioral changes of young consumers of this generation to obtain favorable advantage in the competitive market in PRC.

In addition, the Group will continue to cooperate with certain of its strategic investment partners to jointly promote the Group's and their products on e-commerce channels, food fairs and exhibition to attract new customers.

Channel Expansion

Along with product upgrades, the Group continued to broaden its existing distributors network by expanding to new channels such as snack food branded stores, convenience stores, campus snack stores, gas stations.

To improve the overall gross profit margin and net profit margin, the Group has adjusted the development strategies of its e-commerce business during the Relevant Period, reducing the sales of low-margin products through e-commerce channels, and increasing the proportion of the sale of self-produced products with higher gross profit. The e-commerce business will continue to promote and sell products through online platforms and live streaming channels, and employ e-commerce as the main channel for the Group's brand promotion and some of its new product launches. With the advantages of the Group's production bases and supply chain, transportation and distribution costs will be reduced and the Group will aim to increase its overall revenue and profits. Besides, the Group will continue to actively cooperate with new retailers such as Alibaba, JD and Pinduoduo to develop new retail channels. On this basis, the Group believes that it will further realize growth for this business and generate profits for the Group in the future.

Production Facilities Improvement

The Group has formulated a clear development plan for its production facilities and equipment. In the past three years, the Group completed the development and construction of four new production bases located in different regions in the PRC including Xiaogan City, Hubei Province, Jining City, Shandong Province, Meishan City, Sichuan Province and Ningxia City, Gansu Province. Not only did it improve the production capacity, quality and efficiency of the Group for its long-term development, but it also reduced supply chain logistics costs and laid the foundation for further expanding the sales of products in the local surrounding areas.

The total capital expenditure of the Group in the Relevant Period regarding building of new production bases and revamp of existing production bases projects was approximately RMB274.7 million. One of the major projects included the construction of the Group's new production base in Xiantao City, Hubei Province have been completed and were in operation this year. As at 31 December 2022, the construction of the production base in Quanzhou City, Fujian Province was still under construction and was expected to be completed in 2023. The Group believes that the long-term development and future profit growth of the enterprise will be driven by the optimisation of the Group's resources, the construction and renovation of plants, equipment upgrades to improve its production facilities, production processes and product quality, as well as the improvement of production capacity and efficiency.

The Group entered into certain construction contracts in relation to the construction of production bases in Jining City, Shandong Province, Xiantao City, Hubei Province and Quanzhou City, Fujian Province, which constituted as disclosable transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities of the Stock Exchange. For details, please refer to the Company's announcement dated 27 April 2022.

The Group aimed to reduce the impact of increasing labour costs by increasing the level of our production facilities automation. The Group continued to conduct "equipment transformation, production process enhancement, quality improvement" for its production facilities and cooperated with various foreign equipment enterprises for bringing in production lines including jelly products as well as crackers and chips with the 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 labour, 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 strived 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, SC, KOSHER, ISO14001 and ISO9001 certifications in respect of its production facilities, quality control and management system.

FUTURE PROSPECTS AND STRATEGIES

The Group's strategic initiatives in recent years, particularly to stay focus on investing in new products, e-commerce business, information management system and new production facilities and equipment, has laid a firm foundation for the next chapter in the Group's business development.

Although the market is full of challenges, we are looking forward to the future as the Group will continue to focus our efforts in the following areas, to drive further growth of the Group's business and thereby creating greater value for its shareholders.

- Capture the opportunities of consumer upgrades through continuous product innovations, thereby adhering to its diversified product strategies, focusing on enhancement of product quality, optimisation of product portfolio and strengthening market position of our key products in terms of operation.

- Expand our distribution channels, strengthen our traditional distribution network, develop and allocate more high margin products for sales through e-commerce channels and further develop other new market access such as snack food branded stores and restaurants channels in order to increase market penetration.

- Continued to complete the construction and transformation of our production bases and upgrade equipment to improve production facilities, production processes and product quality, to enhance environmental efficiency and move towards green production and to enhance production capacity and efficiency that will meet the long-term development of the Group.

- Refine internal management process and strengthen the integration of various software to improve efficiency, invest in talent development and information management system to raise corporate management standards, improve the Group's operating efficiency and core competitiveness, and to enhance sustainable development of the Group.

- Explore investment opportunities in consumer goods companies with fast-growing potential and synergy with the Group's business, alliances with strategic investment partners to facilitate long-term development and business growth of the Group.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 31 December 2022. As at 31 December 2022, the Group had cash and bank balances of RMB502.1 million (2021: RMB439.7 million) and bank borrowings of RMB228.0 million (2021: RMB97.4 million).

As at 31 December 2022, the Group's working capital or net current assets were RMB91.2 million (2021: RMB91.7 million). The current ratio, represented by current assets divided by current liabilities, was 1.0 (2021: 1.1). The Group's total equity was RMB1,234.7 million (2021: RMB1,267.9 million), representing a decrease of 2.6%. The decrease in net cash position from RMB342.3 million as at 31 December 2021 to RMB274.1 million as at 31 December 2022 was mainly attributable to the Group's capital expenditure incurred for construction of new production bases and the purchase of new production equipment in PRC to facilitate the Group's long term business development plan.

Cash and bank balances were mainly denominated in RMB, HKD and USD. As at 31 December 2022, pledged bank deposits of RMB15.5 million (2021: RMB22.1 million) were being used as the security for a banking facility of USD8.0 million (equivalent to RMB55.7 million) granted by a bank for certain short term credit facility arrangement.

As part of treasury management activities with respect to the Group's surplus cash assets, the Group has invested, at fair value, of RMB32.4 million as at 31 December 2022 (2021: RMB41.8 million) in units in investment funds measured at fair value through profit or loss. During the year, there was a net loss of RMB9.4 million (2021: net loss of RMB15.1 million) recorded in profit or loss due to the fair value change of these investments.

As at 31 December 2022, the Group's bank borrowings denominated in RMB bore interest rates ranged from 1.30% to 3.55% per annum (2021: 2.55% to 3.55% per annum) with an effective interest rate of 2.94% (2021: 2.99%). In addition, the effective interest rate of the Group's bank overdraft denominated in USD was 2.75% per annum as at 31 December 2022 (2021: 1.6% per annum). Gearing ratio is equal to net debt position of the Group divided by its shareholders equity. As the Group was in net cash position as at 31 December 2022 and in 31 December 2021, no gearing ratio was presented.

In 2022, the Group invested RMB274.7 million on capital expenditure (2021: RMB354.0 million). The capital expenditure was mainly incurred for construction of new production bases and the purchase of new production equipment in PRC to facilitate the Group's long term business development plan. It is expected that the upcoming capital expenditure requirements will be funded by both internal and external resources of the Group. Overall, the Group's financial position remains sound for continued business expansion.

COMMITMENTS AND CONTINGENCIES

As at 31 December 2022, the Group had total capital commitments (contracted but not provided for) of RMB240.9 million (2021: RMB215.9 million).

As at 31 December 2022, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB3.7 million (2021: RMB3.7 million).

The Group had no material contingent liabilities as at 31 December 2022 and 31 December 2021.

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

Save for those disclosed in this 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

As at 31 December 2022, certain land use rights and buildings of the Group with net book value of RMB553.6 million (2021: RMB80.4 million) were pledged for bank borrowings of RMB177.3 million (2021: RMB79.8 million) and unutilised bank facilities granted by the bank of RMB198.0 million (2021: Nil).

In addition, the Group had a banking facility of USD8.0 million (equivalent to RMB55.7 million) (2021: RMB51.0 million) granted by a bank for certain short term credit facility arrangement which was pledged by the bank deposits of the Group in the amount of RMB15.5 million as at 31 December 2022 (2021: RMB22.1 million).

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2022, the Group had approximately 2,600 (2021: 2,700) employees. For the year ended 31 December 2022, total employee benefit expenses, including directors' emoluments, was approximately RMB214.0 million (2021: RMB203.6 million). The increase in total employee benefit expenses was mainly attributable to overall salary increment.

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, term deposits, restricted bank deposits, trade and other receivables and payables, and bank borrowings of the Group, which are denominated in HKD, USD and other currencies.

During the year ended 31 December 2022, the Group recorded foreign exchange gain in relation to its cash and cash equivalent totaling RMB0.2 million (2021: net foreign exchange loss totaling RMB2.5 million). In order to limit this exchange rate risk, the Group closely monitors HKD and USD exposure to an acceptable level by buying or selling foreign currencies at spot rates where necessary. Save as disclosed above, the Group is exposed to minimal foreign exchange risk exposure as the Group focus 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 2022 (2021: Nil).

OTHER INFORMATION

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 18 May 2023 (the "**2023 AGM**"), 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "**Shareholders**") will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the 2023 AGM, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 12 May 2023.

RAISING OF FUNDS AND USE OF PROCEEDS

The Company did not have any unutilised proceeds from fund raising activities brought forward from previous financial years and did not have any fund raising activity during the year ended 31 December 2022 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**") 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 2022.

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 2022. 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 2022.

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 2022.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Company's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Baker Tilly 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 Baker Tilly 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, 17 March 2023

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.