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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS			
KEY FINANCIAL PERFORMANCE AND RATIOS			
For the six months ended 30 June	Unaudited 2023 RMB'000	Unaudited 2022 RMB'000	Changes
Revenue	568,823	531,529	7.0%
Gross profit	166,088	143,635	15.6%
Gross profit margin	29.2%	27.0%	2.2% points
EBITDA ⁽¹⁾	76,919	58,422	31.7%
Profit attributable to equity shareholders of the Company	26,159	4,626	4.7 times
Earnings per share			
— Basic	RMB0.035	RMB0.006	
— Diluted	RMB0.035	RMB0.006	
	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000	Changes
Total assets	1,945,350	2,056,733	-5.4%
Net cash position ⁽²⁾	109,877	274,115	-59.9%
Net current assets	172,142	91,240	88.7%
Total equity attributable to equity shareholders of the Company	1,260,067	1,234,135	2.1%
Return on equity (annualised) ⁽³⁾	4.2%	-0.1%	4.3% points
Net asset per share	RMB1.7	RMB1.6	
Finished goods turnover days ⁽⁴⁾	16 days	19 days	
Trade receivables turnover days ⁽⁵⁾	2 days	2 days	

Notes:

- (1) EBITDA is equal to the profit for the period 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 annualised profit attributable to equity shareholders divided by total shareholders' equity at the end of the relevant period/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 period/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 period/year.

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The board of directors of Qinqin Foodstuffs Group (Cayman) Company Limited (the “**Company**”) (the “**Board**”) is pleased to present the unaudited interim condensed consolidated income statement, interim condensed consolidated statement of other comprehensive income, interim condensed consolidated changes in equity and interim condensed consolidated statement of cash flows of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2023, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2023, together with the comparative figures and selected explanatory notes. The interim condensed consolidated financial information has been reviewed by the Company’s audit committee and the Company’s auditor, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	568,823	531,529
Cost of goods sold	7	(402,735)	(387,894)
Gross profit		166,088	143,635
Distribution and selling expenses	7	(64,231)	(70,388)
Administrative expenses	7	(68,524)	(58,939)
Net impairment reversal on financial assets		—	47
Other income and other gains/(losses) — net	8	1,504	(1,267)
Operating profit		34,837	13,088
Finance income	9	8,680	5,761
Finance costs	9	(4,569)	(2,604)
Finance income — net		4,111	3,157
Share of net loss of associates		(573)	(587)
Profit before income tax		38,375	15,658
Income tax expense	10	(12,270)	(11,171)
Profit for the period		26,105	4,487
Profit for the period attributable to:			
Equity shareholders of the Company		26,159	4,626
Non-controlling interests		(54)	(139)
		26,105	4,487
Earnings per share for profit attributable to equity shareholders of the Company			
— Basic earnings per share (expressed in RMB per share)	11	RMB0.035	RMB0.006
— Diluted earnings per share (expressed in RMB per share)	11	RMB0.035	RMB0.006

The notes on pages 9 to 30 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	26,105	4,487
Other comprehensive loss		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(5)	(22)
<i>Item that will not be reclassified to profit or loss</i>		
Fair value losses on financial assets at fair value through other comprehensive income, net of tax	(581)	—
	<u>(586)</u>	<u>(22)</u>
Other comprehensive loss for the period, net of tax	(586)	(22)
Total comprehensive income for the period	<u>25,519</u>	<u>4,465</u>
Total comprehensive income for the period is attributable to:		
Equity shareholders of the Company	25,573	4,604
Non-controlling interests	(54)	(139)
	<u>25,519</u>	<u>4,465</u>

The notes on pages 9 to 30 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2023

		Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	1,081,149	827,076
Construction-in-progress	<i>13</i>	118,918	321,734
Right-of-use assets	<i>14</i>	78,432	79,640
Intangible assets	<i>13</i>	1,983	2,192
Prepayments for non-current assets		8,174	13,655
Deferred income tax assets		4,887	9,264
Investments in associates		35,344	35,917
Financial assets at fair value through other comprehensive income	<i>5.3</i>	48,552	49,155
		1,377,439	1,338,633
Current assets			
Inventories		106,961	150,122
Trade receivables	<i>15</i>	10,241	3,088
Other receivables, prepayments and deposits		36,814	28,310
Financial assets at fair value through profit or loss	<i>5.3</i>	2,000	34,448
Cash and bank balances	<i>16</i>	411,895	502,132
		567,911	718,100
Total assets		1,945,350	2,056,733

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

AS AT 30 JUNE 2023

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Share capital	17	6,433	6,433
Other reserves		729,075	725,715
Retained earnings		524,559	501,987
		<hr/>	<hr/>
Capital and reserves attributable to equity shareholders of the Company		1,260,067	1,234,135
Non-controlling interests		—	563
		<hr/>	<hr/>
Total equity		1,260,067	1,234,698
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Non-current liabilities			
Borrowings	20	275,723	181,817
Lease liabilities	14	6,917	6,765
Deferred income tax liabilities		6,874	6,593
		<hr/>	<hr/>
		289,514	195,175
		<hr/>	<hr/>
Current liabilities			
Trade payables	19	56,610	154,020
Other payables and accrued charges		285,945	300,784
Contract liabilities		20,550	123,703
Current income tax liabilities		6,369	2,153
Borrowings	20	26,295	46,200
		<hr/>	<hr/>
		395,769	626,860
		<hr/>	<hr/>
Total liabilities		685,283	822,035
		<hr/>	<hr/>
Total equity and liabilities		1,945,350	2,056,733
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 30 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited Attributable to equity shareholders of the Company				Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2023		6,433	725,715	501,987	1,234,135	563	1,234,698
Comprehensive income							
Profit/(loss) for the period		—	—	26,159	26,159	(54)	26,105
Other comprehensive loss							
Fair value losses on financial assets at fair value through other comprehensive income		—	(581)	—	(581)	—	(581)
Exchange difference		—	(5)	—	(5)	—	(5)
Total comprehensive (loss)/income for the period ended 30 June 2023		—	(586)	26,159	25,573	(54)	25,519
Equity-settled share option arrangement	18	—	359	—	359	—	359
Appropriation to statutory reserves		—	3,587	(3,587)	—	—	—
Deregistration of a subsidiary		—	—	—	—	(509)	(509)
Balance at 30 June 2023		<u>6,433</u>	<u>729,075</u>	<u>524,559</u>	<u>1,260,067</u>	<u>—</u>	<u>1,260,067</u>
Balance at 1 January 2022		6,433	754,819	505,711	1,266,963	944	1,267,907
Comprehensive income							
Profit/(loss) for the period		—	—	4,626	4,626	(139)	4,487
Other comprehensive loss							
Exchange difference		—	(22)	—	(22)	—	(22)
Total comprehensive (loss)/income for the period ended 30 June 2022		—	(22)	4,626	4,604	(139)	4,465
Equity-settled share option arrangement	18	—	1,125	—	1,125	—	1,125
Appropriation to statutory reserves		—	2,338	(2,338)	—	—	—
Balance at 30 June 2022		<u>6,433</u>	<u>758,260</u>	<u>507,999</u>	<u>1,272,692</u>	<u>805</u>	<u>1,273,497</u>

The notes on pages 9 to 30 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(60,656)	122,289
Income tax paid	(3,396)	(777)
Interest paid	(4,299)	(1,551)
	<u>(68,351)</u>	<u>119,961</u>
Cash flows from investing activities		
Purchase of property, plant and equipment, including additions of construction-in-progress	(105,314)	(194,086)
Withdrawal of term deposits	79,063	26,363
Payments for investments in associates	—	(1,000)
Interest received	6,844	5,566
Proceeds from disposal of property, plant and equipment	1,256	516
Proceeds from disposal of financial assets at fair value through profit or loss	—	8,000
Increase in bank deposits with original maturity over 3 months	(81,626)	—
Purchase of intangible assets	—	(4)
(Placement)/withdrawal of restricted bank balances	(10,499)	1,864
Deregistration of a subsidiary	(509)	—
	<u>(110,785)</u>	<u>(152,781)</u>
Cash flows from financing activities		
Proceeds from drawdown of borrowings	290,018	39,800
Repayment of borrowings	(216,017)	(87,364)
	<u>74,001</u>	<u>(47,564)</u>
Net decrease in cash and cash equivalents	(105,135)	(80,384)
Cash and cash equivalents at beginning of the period	442,641	391,190
Effect of foreign exchange rate changes in cash and cash equivalents	1,836	195
	<u>339,342</u>	<u>311,001</u>
Cash and cash equivalents at 30 June	339,342	311,001

The notes on pages 9 to 30 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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, Umland 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.

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated and has been approved for issue by the Board of Directors on 15 August 2023.

This interim condensed consolidated financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), except for the adoption of the new and amended standards as disclosed in Note 3 below.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information have been prepared on the historical cost convention, except for certain financial instruments measured at fair value.

The principal accounting policies applied in the preparation of this interim condensed consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022 and the corresponding interim financial period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable since 1 January 2023. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

HKFRS 17 and Amendment to HKFRS 17	Insurance Contracts and the Related Amendments
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model rules

(b) New and amended standards and interpretations that might be relevant to the Group that have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group.

Standards		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback	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 is assessing the full impact of the new standard and amendments to standards and interpretations.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2022.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since last year end.

5. FINANCIAL RISK MANAGEMENT (Continued)

5.2 Liquidity risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Unaudited					
	Weighted	Less than	Between 1	Between 2		Total	Carrying
At 30 June 2023	average	1 year	and 2 years	and 5 years	Over 5 years	undiscounted	amount
	interest rates	RMB'000	RMB'000	RMB'000	RMB'000	cash flows	RMB'000
						RMB'000	RMB'000
Trade payables		56,610	—	—	—	56,610	56,610
Other payables (excluding non- financial liabilities)		223,935	—	—	—	223,935	223,935
Borrowings	3.03%	79,420	75,272	123,863	48,099	326,654	302,018
Lease liabilities	4.50%	—	—	4,392	4,392	8,784	6,917
		<u>359,965</u>	<u>75,272</u>	<u>128,255</u>	<u>52,491</u>	<u>615,983</u>	<u>589,480</u>
		Audited					
	Weighted	Less than	Between 1	Between 2		Total	Carrying
At 31 December 2022	average	1 year	and 2 years	and 5 years	Over 5 years	undiscounted	amount
	interest rates	RMB'000	RMB'000	RMB'000	RMB'000	cash flows	RMB'000
						RMB'000	RMB'000
Trade payables		154,020	—	—	—	154,020	154,020
Other payables (excluding non- financial liabilities)		198,570	—	—	—	198,570	198,570
Borrowings	2.94%	52,226	64,989	107,303	21,950	246,468	228,017
Lease liabilities	4.50%	—	—	3,294	5,490	8,784	6,765
		<u>404,816</u>	<u>64,989</u>	<u>110,597</u>	<u>27,440</u>	<u>607,842</u>	<u>587,372</u>

5. FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation of financial instruments

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2023:

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Financial assets		
Financial assets at fair value through profit or loss ("FVPL")		
— Level 3	2,000	34,448
Financial assets at fair value through other comprehensive income ("FVOCI")		
— Level 3	48,552	49,155
	50,552	83,603

During the six months ended 30 June 2023, there are no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

5. FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation of financial instruments (Continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2023:

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Opening balance	83,603	145,719
Disposals — FVPL	(24,660)	(8,000)
Fair value changes — loss to profit or loss	(7,788)	(9,372)
Fair value changes — loss to comprehensive income	(603)	(44,744)
	<hr/>	<hr/>
Closing balance	50,552	83,603
	<hr/> <hr/>	<hr/> <hr/>

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount as at the balance sheet date:

- Trade receivables
- Other receivables and deposits
- Cash and bank balances
- Trade payables
- Other payables
- Borrowings
- Lease liabilities

6. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

- i. Jelly Products
- ii. Crackers and Chips
- iii. Seasoning Products
- iv. Confectionery and Other Products

The Board of Directors of the Company monitors the gross profit of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the Board of Directors of the Company for review.

6. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2023 is as follows:

	Unaudited				Group RMB'000
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	
Revenue — recognised at a point in time					
Sales to external customers	381,904	126,109	41,454	19,356	568,823
Cost of goods sold	(265,777)	(92,289)	(27,964)	(16,705)	(402,735)
Results of reportable segments	116,127	33,820	13,490	2,651	166,088

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

Results of reportable segments	166,088
Distribution and selling expenses	(64,231)
Administrative expenses	(68,524)
Other income and other gains — net	1,504
Finance income — net	4,111
Share of net losses of associates	(573)
Profit before income tax	38,375
Income tax expense	(12,270)
Profit for the period	26,105

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	11,679	13,357	3,018	3,949	32,003
Unallocated					2,409
					34,412
Capital expenditure					
Allocated	72,932	997	6,022	5,750	85,701
Unallocated					—
					85,701

6. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2022 is as follows:

	Unaudited				Group RMB'000
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	
Revenue — recognised at a point in time					
Sales to external customers	356,264	121,090	38,173	16,002	531,529
Cost of goods sold	(250,030)	(91,245)	(28,310)	(18,309)	(387,894)
Results of reportable segments	<u>106,234</u>	<u>29,845</u>	<u>9,863</u>	<u>(2,307)</u>	<u>143,635</u>

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

Results of reportable segments	143,635
Distribution and selling expenses	(70,388)
Administrative expenses	(58,939)
Net impairment reversal on financial assets	47
Other income and other losses — net	(1,267)
Finance income — net	3,157
Share of net losses of associates	(587)
Profit before income tax	15,658
Income tax expense	(11,171)
Profit for the period	<u>4,487</u>

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	<u>13,657</u>	<u>11,567</u>	<u>2,719</u>	<u>3,748</u>	31,691
Unallocated					<u>268</u>
					<u>31,959</u>
Capital expenditure					
Allocated	<u>86,839</u>	<u>27,425</u>	<u>10,308</u>	<u>6,970</u>	131,542
Unallocated					<u>13</u>
					<u>131,555</u>

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

7. EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Raw materials and consumables used	269,152	251,443
Changes in inventories of work-in-progress and finished goods	22,050	27,496
Employee benefit expense, including directors' emoluments	105,487	110,730
Utilities and various office expenses	46,658	38,489
Transportation and packaging expenses	28,641	29,751
Depreciation of property, plant and equipment <i>(note 13)</i>	32,995	30,534
Travelling expenses	9,205	8,330
Marketing and advertising expenses	1,903	1,500
Repair and maintenance expenses	2,543	2,306
Short-term lease expenses <i>(note 14)</i>	580	1,360
Amortisation of right-of-use assets <i>(note 14)</i>	1,208	1,214
Auditor's remuneration	500	500
Amortisation of intangible assets <i>(note 13)</i>	209	211
(Reversal of provision)/provision for decline in value of inventories	(2,975)	1,634
Others	17,334	11,723
Total cost of sales, distribution and selling expenses and administrative expenses	<u>535,490</u>	<u>517,221</u>

8. OTHER INCOME AND OTHER GAINS/(LOSSES) — NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	5,032	10,434
(Loss)/gain on disposal of property, plant and equipment — net	(193)	374
Loss on disposal of intangible assets	(4)	—
Net fair value losses on financial assets at FVPL	(7,788)	(14,282)
Exchange gains from operating activities — net	487	50
Compensation payment from suppliers	1,577	1,319
Penalty income	356	476
Operating lease income	1,811	—
Others	226	362
	<u>1,504</u>	<u>(1,267)</u>

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

9. FINANCE INCOME AND FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
Interest income from bank deposits	6,844	5,566
Exchange gains	1,836	195
	<u>8,680</u>	<u>5,761</u>
Finance costs:		
Interest expense for borrowings	(4,299)	(1,551)
Interest expense for lease liabilities (<i>note 14</i>)	(152)	(146)
Other finance charges	(118)	(907)
	<u>(4,569)</u>	<u>(2,604)</u>
Finance income — net	<u>4,111</u>	<u>3,157</u>

10. 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 six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax — PRC Enterprise Income Tax (“EIT”)	7,586	3,777
Deferred income tax, net	<u>4,684</u>	<u>7,394</u>
Income tax expense	<u><u>12,270</u></u>	<u><u>11,171</u></u>

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 periods.

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 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 interim condensed consolidated financial information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB50,872,000 as at 30 June 2023 (31 December 2022: RMB46,857,000) 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 30 June 2023, deferred income tax liabilities of approximately RMB2,543,600 (31 December 2022: RMB2,343,000) have not been recognised for the withholding tax that would be payable on such unremitted earnings of those PRC subsidiaries.

11. EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
Profit attributable to equity shareholders of the Company (<i>RMB'000</i>)	<u><u>26,159</u></u>	<u><u>4,626</u></u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><u>755,096,557</u></u>	<u><u>755,096,557</u></u>
Basic earnings per share	<u><u>RMB0.035</u></u>	<u><u>RMB0.006</u></u>

(b) Diluted

Diluted earnings per share is the same as basic earnings per share for the periods ended 30 June 2023 and 30 June 2022, as the share options had no dilutive effect on ordinary shares for both periods because the exercise price of the Company's share options was higher than the average market price of the Company's shares in both periods.

12. DIVIDENDS

At a meeting of the Board held on 15 August 2023, the Directors resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: Nil).

13. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION-IN-PROGRESS AND INTANGIBLE ASSETS

	Property, plant and equipment <i>RMB'000</i>	Construction-in- progress <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
At 1 January 2023 (Audited)	827,076	321,734	2,192
Additions	67,706	17,995	—
Transfers	220,811	(220,811)	—
Disposals	(1,449)	—	—
Depreciation/amortisation	(32,995)	—	(209)
	<hr/>	<hr/>	<hr/>
At 30 June 2023 (Unaudited)	<u>1,081,149</u>	<u>118,918</u>	<u>1,983</u>
At 1 January 2022 (Audited)	709,859	230,530	2,610
Additions	19,763	111,788	4
Transfers	70,936	(70,936)	—
Disposals	(142)	—	—
Depreciation/amortisation	(30,534)	—	(211)
	<hr/>	<hr/>	<hr/>
At 30 June 2022 (Unaudited)	<u>769,882</u>	<u>271,382</u>	<u>2,403</u>

As at 30 June 2023, certain land use rights (note 14) and buildings of the Group, with a total net book value of RMB618,012,000 (31 December 2022: RMB553,572,000), were pledged as security for borrowings of the Group amounted to RMB243,118,000 (31 December 2022: RMB177,300,000) as disclosed in note 20.

14. LEASES

Amounts recognised in the consolidated balance sheet

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Right-of-use assets		
Buildings	4,570	4,875
Land use rights	<u>73,862</u>	<u>74,765</u>
	<u>78,432</u>	<u>79,640</u>
Lease liabilities		
Buildings		
— Non-current	<u>6,917</u>	<u>6,765</u>

As at 30 June 2023, certain land use rights of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China, with carrying amount of approximately RMB5,970,000 (31 December 2022: RMB6,118,000), were still in the process of applying for the ownership certificates.

The total cash outflow for leases during the period, not considering the receipt of government grant, was RMB580,000 (2022: RMB1,360,000).

15. TRADE RECEIVABLES

The credit period of the Group's trade receivables ranges from 30 to 90 days. The ageing analysis of trade receivables based on invoice date, as at 31 December 2022 and 30 June 2023 was as follows:

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Within 30 days	6,957	1,212
31-180 days	<u>3,284</u>	<u>1,876</u>
	<u>10,241</u>	<u>3,088</u>

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As the credit terms are short and most of the trade receivables are due for settlement within one year, the carrying value of the trade receivables approximated their fair values as at the balance sheet date.

16. CASH AND BANK BALANCES

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Cash and cash equivalents	339,342	442,641
Restricted bank deposits — current	26,011	15,512
Term deposits — current	46,542	43,979
	<hr/>	<hr/>
Total	411,895	502,132
	<hr/> <hr/>	<hr/> <hr/>

The cash and cash equivalents represented cash deposits held at call with banks and in hand and deposits with original maturity within three months.

The restricted bank deposits are deposits held at bank for bank facilities and secured bank borrowings of the Group (note 20).

The term deposits — current have original maturities over three months at inception.

17. SHARE CAPITAL

	Unaudited			
	2023	2023	2022	2022
	<i>Shares</i>	<i>RMB'000</i>	<i>Shares</i>	<i>RMB'000</i>
As at 1 January and 30 June	755,096,557	6,433	755,096,557	6,433
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18. SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 May 2017 (the “Scheme”).

On 6 June 2017, 9,630,000 share options (“Options”) to subscribe for a total of 9,630,000 ordinary shares of the Company at an exercise price of HK\$2.56 per share were granted to a director and certain employees of the Group pursuant to the Scheme. Out of the 9,630,000 Options, 9,480,000 Options were accepted by the grantees.

On 16 August 2018, 11,000,000 Options to subscribe for a total of 11,000,000 ordinary shares of the Company at an exercise price of HK\$2.31 per share were granted to two directors and certain employees of the Group pursuant to the Scheme. All Options were accepted by the grantees.

On 23 August 2021, 12,950,000 Options to subscribe for a total of 12,950,000 ordinary shares of the Company at the exercise price of HK\$2.19 per share were granted to two directors and certain employees of the Group pursuant to the Scheme. Out of the 12,950,000 Options, 12,720,000 Options were accepted by the grantees.

Movements in the number of Options granted are as follows:

	Options granted on 6 June 2017 (exercise price HK\$2.56 per share) Number of options	Options granted on 16 August 2018 (exercise price HK\$2.31 per share) Number of options	Options granted on 23 August 2021 (exercise price HK\$2.19 per share) Number of options	Total Number of options
At 1 January 2023 (Audited)	—	5,190,000	9,740,000	14,930,000
Cancelled/lapsed during the period	—	(420,000)	(1,250,000)	(1,670,000)
At 30 June 2023 (Unaudited)	—	4,770,000	8,490,000	13,260,000
At 1 January 2022 (Audited)	4,210,000	5,740,000	12,150,000	22,100,000
Cancelled/lapsed during the period	(4,210,000)	(380,000)	(1,080,000)	(5,670,000)
At 30 June 2022 (Unaudited)	—	5,360,000	11,070,000	16,430,000

18. SHARE OPTION SCHEME (Continued)

Options outstanding as at 30 June 2023 have the following expiry dates and exercise prices:

Grant date	Exercisable date	Expiry date	Exercise price	Number of Options 30 June 2023
16 August 2018	17 August 2020	16 August 2023	HK\$2.31	2,385,000
16 August 2018	17 August 2021	16 August 2023	HK\$2.31	2,385,000
23 August 2021	24 August 2022	23 August 2023	HK\$2.19	2,547,000
23 August 2021	24 August 2023	23 August 2024	HK\$2.19	2,547,000
23 August 2021	24 August 2024	23 August 2025	HK\$2.19	3,396,000
Total				13,260,000

The total amount of the fair value of share options granted to directors and selected employees is expensed over the vesting period. The equity-settled share-based payment expense for the six months ended 30 June 2023 amounted to RMB359,000 (six months ended 30 June 2022: RMB1,125,000), and the remaining unamortised fair value of share options granted of approximately RMB785,000 (30 June 2022: RMB2,304,000) will be charged to the consolidated income statement in the future.

The following assumptions were used to calculate the fair values of Options by using the Binomial Model:

	Options granted on 6 June 2017	Options granted on 16 August 2018	Options granted on 23 August 2021		
Grant date share price	HK\$2.56	HK\$2.29	HK\$2.19		
Exercise price	HK\$2.56	HK\$2.31	HK\$2.19		
Expected life	5 years	5 years	2 years	3 years	4 years
Expected volatility (Note a)	33%	34%	41%	39%	37%
Risk-free rate (Note b)	0.94%	2.06%	0.18%	0.29%	0.45%
Dividend yield (Note c)	1.49%	1.91%	0%	0%	0%

18. SHARE OPTION SCHEME (Continued)

Notes:

- (a) Expected volatility is estimated with reference to the historical share price of the Company and a set of comparable companies.
- (b) Risk-free rate is determined with reference to the yield of Hong Kong Exchange Fund Notes.
- (c) Dividend yield is estimated by reference to the historical share price and dividend paid of the Company and a set of comparable companies.

The number of Options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of Options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

19. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Within 30 days	51,836	133,889
31 — 180 days	1,279	10,107
181 — 365 days	1,998	3,484
Over 365 days	1,497	6,540
	56,610	154,020

The carrying amounts of trade payables approximate their fair values as at the balance sheet date due to short-term maturity.

20. BORROWINGS

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Current		
Bank loans — unsecured	3,200	11,000
Bank loans — secured	23,095	35,200
	<u>26,295</u>	<u>46,200</u>
Non-current		
Bank loans — unsecured	55,700	39,717
Bank loans — secured	220,023	142,100
	<u>275,723</u>	<u>181,817</u>
Total borrowings	<u>302,018</u>	<u>228,017</u>

The secured borrowings of the Group as at 30 June 2023 and 31 December 2022 were secured by the Group's land use rights (note 14), buildings (note 13) and restricted bank deposits (note 16).

For the six months ended 30 June 2023, the weighted average effective interest rates on borrowings were 3.03% (year ended 31 December 2022: 2.94%) per annum.

In the opinion of the directors, the fair values of borrowings approximate their carrying amounts as of the balance sheet date.

During the six months ended 30 June 2023, movements in borrowings are analysed as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
As at 1 January (Audited)	228,017	97,364
Proceeds from borrowings	290,018	39,800
Repayment of borrowings	(216,017)	(87,364)
	<u>302,018</u>	<u>49,800</u>

21. COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group had the following commitments:

(a) Capital commitments

Significant capital expenditure contracted for at the balance sheet date but not recognised as liabilities is as follows:

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Contracted but not provided for in respect of:		
Machinery and equipment	35,140	47,552
Buildings and land use rights	123,617	193,355
	158,757	240,907

(b) Other commitments

As at 30 June 2023 and 31 December 2022, the Group had future aggregate minimum lease payments under non-cancellable short-term leases of buildings and other non-cancellable contracts as follows:

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Not later than 1 year	1,862	2,070
Later than 1 year and not later than 5 years	1,641	1,641
	3,503	3,711

21. COMMITMENTS (Continued)

(c) The Group as lessor

The Group leases out a number of warehouses under operating leases. The leases typically run for an initial period of 2 to 3 years. None of the leases includes variable lease payments.

Undiscounted lease payments receivable on leases are as follows:

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Within 1 year	3,530	3,866
Within a period of more than 1 year but not exceeding 2 years	1,783	2,947
Within a period of more than 2 years but not exceeding 5 years	—	376
	5,313	7,189

22. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is Mr. Hui Ching Lau (“**Mr. Hui**”), who is also the Chairman of the Board. Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties during the periods.

22. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

(i) Lease of offices

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
— Lianjie Sports Investments Limited ("Lianjie Sports")	213	198
— Lianjie Investments Group Limited ("Lianjie Investments")	—	762
	<u>213</u>	<u>960</u>

Lianjie Sports is a company wholly owned by Mr. Hui.

Lianjie Investments is a company controlled by Mr. Hui and his associates.

(ii) Purchases of goods from

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
— Fujian Shuncheng Flour Industry Development Co., Ltd. ("Shuncheng Flour")	<u>106</u>	<u>—</u>

Shuncheng Flour is a company controlled by two directors of the Company and their associates.

(b) Key management compensation

For the six months ended 30 June 2023, the key management comprised the directors (excluding independent non-executive directors) and certain senior management, and their compensation amounted to approximately RMB2,136,000 (six months ended 30 June 2022: RMB2,130,000).

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

After the recovery following the COVID re-opening, there was a rebound of economic activity in the first quarter of 2023. However, it slowed down in the second quarter, led by a sequential decline in manufacturing and investment. Along with other economic uncertainties, such as signs of weakening labor market, tepid inflation, and moderating consumption, certain negative impact had been posed 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 to 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 six months ended 30 June 2023 (the “**Reporting Period**”), the Group’s total revenue was approximately RMB568.8 million (first half of 2022: RMB531.5 million), representing an increase of approximately RMB37.3 million or 7.0% over the same period of last year. During the Reporting Period, all major product segments of the Group have recorded an increase in sales revenue. The increase in revenue was mainly due to the continuous expansion of distribution channels and the overall sales volume has increased during the Reporting Period. The selling prices of the Group’s products were also adjusted upwards when compared to the same period last year, resulting in an increase in sales amount. The Group 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 RMB166.1 million (first half of 2022: RMB143.6 million), representing an increase of approximately RMB22.5 million or 15.7% over the same period of last year; gross profit margin was 29.2% (first half of 2022: 27.0%), representing an increase of approximately 2.2 percentage points over the same period of last year. In addition, in the Reporting Period, the Group recorded a consolidated net profit attributable to the equity shareholders of the Company of approximately RMB26.2 million, as compared to the consolidated net profit attributable to the equity shareholders of the Company of approximately RMB4.6 million for the six months ended 30 June 2022, representing an increase of approximately RMB21.6 million or 4.7 times over the same period of last year.

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

- (i) the overall sales volume of the Group’s products increased during the Reporting Period, which was due to the Group’s continuous expansion of distribution channels and the increase in sales in new snack food chains. In addition, several new production bases of the Group have increased the overall production capacity, thereby facilitated the development and growth of product sales in local surrounding areas nearby the new production bases. During the Reporting Period, the selling prices of the Group’s products were adjusted upwards when compared to the same period last year, and the cost of raw materials decreased slightly, resulting in an increase in gross profit and gross profit margin of approximately RMB22.5 million and 2.2 percentage points respectively for the Reporting Period when compared to the corresponding period in 2022;

- (ii) the Group held unlisted investment fund units which were measured at fair value through profit or loss. During the Reporting Period, the Group fully redeemed such unlisted investment fund units and recorded a net loss of approximately RMB7.8 million due to changes in their fair value (first half of 2022: net loss arising from changes in fair value through profit or loss of approximately RMB14.3 million). The relevant net loss for the Reporting Period decreased by approximately RMB6.5 million as compared to the corresponding period in 2022; and
- (iii) during the Reporting Period, the amount of government grants received by the Group from various local government authorities in Mainland China decreased from RMB10.4 million for the first half of 2022 to RMB5.0 million for the Reporting Period, decreased by approximately RMB5.4 million compared to the corresponding period in 2022.

Jelly products

Sales of jelly products in the Reporting Period were approximately RMB381.9 million (first half of 2022: RMB356.3 million), representing an increase of approximately 7.2% over the same period of last year, and accounting for 67.1% (first half of 2022: 67.0%) of total revenue of the Group. Gross profit was approximately RMB116.1 million (first half of 2022: RMB106.2 million), representing an increase of approximately 9.3% over the same period of last year. Gross profit margin was approximately 30.4% (first half of 2022: 29.8%), representing an increase of approximately 0.6 percentage points over the same period of last 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 continuous expansion of distribution channels and the increase in sales in new snack food chains during the Reporting Period, resulting in an increase in overall sales. In addition, the Group raised certain product prices in the second half of 2022, continued to optimize its product mix and sales strategies, launching new products with higher gross profit, and the cost of raw materials also decreased slightly, which contributed to the increase in gross profit and gross profit margin.

Crackers and Chips

Sales of crackers and chips in the Reporting Period were approximately RMB126.1 million (first half of 2022: RMB121.1 million), representing an increase of approximately 4.1% over the same period of last year, and accounting for 22.2% (first half of 2022: 22.8%) of total revenue of the Group. Gross profit was approximately RMB33.8 million (first half of 2022: RMB29.8 million), representing an increase of approximately 13.4% over the same period of last year. Gross profit margin was approximately 26.8% (first half of 2022: 24.6%), representing an increase of approximately 2.2 percentage points over the same period of last year.

The sales of crackers and chips maintained a steady growth in the Reporting Period, mainly because the Group continuous expansion of distribution channels 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 certain product prices in the second half of 2022, 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 Reporting Period were approximately RMB41.5 million (first half of 2022: RMB38.2 million), representing an increase of approximately 8.6% over the same period of last year, and accounting for 7.3% (first half of 2022: 7.2%) of total revenue of the Group. Gross profit was approximately RMB13.5 million (first half of 2022: RMB9.9 million), representing an increase of approximately 36.4% over the same period of last year. Gross profit margin was approximately 32.5% (first half of 2022: 25.8%), representing an increase of approximately 6.7 percentage points over the same period of last year.

In 2022, 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 decline in the revenue of the seasoning business. During the Reporting Period, the seasoning business has resumed the growth trend following the post-pandemic recovery. Sales volume has increased during the Reporting Period and the costs of major raw materials has declined as compared to the same period of last year, resulting in the increase in sales, gross profit and gross profit margin during the Reporting 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 candies, 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 Reporting Period were approximately RMB19.4 million (first half of 2022: RMB16.0 million), representing an increase of approximately 21.3% over the same period of last year, and accounting for 3.4% (first half of 2022: 3.0%) of total revenue of the Group. Gross profit margin was approximately 13.7% (first half of 2022: -14.4%), representing an increase of approximately 28.1 percentage points over the same period of last year.

The increase in sales during the Reporting Period was mainly attributable to the increase in sales of new rice wine products. Since the new rice wine production base has been established and the new rice wine products have been launched last year, there has been a gradual increase in sales over the year due to the continuous effort in the promotion and distribution of products into different sales channels. There was also an improvement in gross margin for rice wine products along with the increase in sales volume and decrease in production costs due to improvement on economy of scale. The Group will continue to implement strategies and control measures to increase sales and improve the profitability of this segment.

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 Reporting Period were approximately RMB64.2 million (first half of 2022: RMB70.4 million), representing a decrease of 8.8% over the same period of last year, and accounting for 11.3% (first half of 2022: 13.2%) of total revenue of the Group. The period-over-period decrease in distribution and selling expenses was mainly attributable to the decrease in selling expenses in relation to the Group's strategies adjustments to reduce the sales of low-margin products through e-commerce channels as well as the decrease in distribution and transportation costs during the Reporting Period as such costs were higher in last period due to the impact of the pandemic and lockdown measures.

In addition, in order to improve the overall profitability and profit margin, the Group has implemented measures to tighten the control over expenses during the Reporting Period, these measures also included simplifying and optimizing the department structure and staff costs decreased accordingly during the Reporting Period. As a result, the distribution and selling expenses as a percentage of the total revenue of the Group has decreased accordingly during the Reporting 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 Reporting Period were approximately RMB68.5 million (first half of 2022: RMB58.9 million), representing an increase of 16.3% over the same period of last year, and accounting for 12.0% (first half of 2022: 11.1%) of total revenue of the Group. The period-over-period increase was mainly attributable to the increase in depreciation of property, plant and equipment and property and land-use taxes totaling RMB8.3 million after the new production bases were in full operation.

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 Reporting 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 Reporting Period, there was a decrease in the fair value of an investment of the Group. As a result, the Group recognised a fair value loss through other comprehensive income of RMB0.6 million (first half of 2022: Nil). 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 will continue to develop products to improve gross profit, 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 will continue to develop new products to meet consumers' demand for healthy snacks. In addition, the Group will keep focusing on the continual expansion of key products 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 stores 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 snack 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 and gas stations. During the Reporting Period, there was a rise of snack food branded stores in PRC. The Group captured the opportunity to expand its distribution network through this new access channel to market and the Group's sales through these new snack food chains has increased to a great extent accordingly during the Reporting Period.

To improve the overall gross profit margin and net profit margin, the Group has adjusted the development strategies of its e-commerce business since last year, 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 and thereby increased the profitability of the Group in the Reporting Period. 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 few years, the Group completed the development and construction of five new production bases located in different regions in the PRC including Xiantao City, Hubei Province, 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 Reporting Period regarding building of new production bases and revamp of existing production bases projects was approximately RMB85.7 million. As at 30 June 2023, 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, channel expansion, 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 30 June 2023. As at 30 June 2023, the Group had cash and bank balances of RMB411.9 million (31 December 2022: RMB502.1 million) and bank borrowings of RMB302.0 million (31 December 2022: RMB228.0 million).

As at 30 June 2023, the Group's working capital or net current assets were RMB172.1 million (31 December 2022: RMB91.2 million). The current ratio, represented by current assets divided by current liabilities, was 1.4 (31 December 2022: 1.0). The Group's total equity was RMB1,260.1 million (31 December 2022: RMB1,234.7 million), representing an increase of approximately 2.1%. The increase in net cash position and net current assets as at 30 June 2023 was mainly attributable to the increase in long-term bank borrowings of the Group during the period under review to facilitate the Group's long term business development plan.

Cash and bank balances were mainly denominated in RMB, HKD and USD. As at 30 June 2023, pledged bank deposits of RMB26.0 million (31 December 2022: RMB15.5 million) were being used as the security for a banking facility of USD8.0 million (equivalent to RMB57.8 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 invested in unlisted investment funds units measured at fair value through profit or loss and the fair value of which amounted to RMB32.4 million as at 31 December 2022 (30 June 2023: Nil). During the period under review, the Group fully redeemed such unlisted investment fund units and recorded a net loss of approximately RMB7.8 million due to changes in their fair value (for the six months ended 30 June 2022: net loss arising from changes in fair value through profit or loss of approximately RMB14.3 million).

As at 30 June 2023, the Group's bank borrowings denominated in RMB bore interest rates ranged from 1.30% to 3.75% per annum (31 December 2022: 1.30% to 3.55% per annum) with effective interest rate of 3.03% (31 December 2022: 2.94%). 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 (30 June 2023: the Group did not utilise any bank overdraft during the six months period ended 30 June 2023). 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 30 June 2023 and 31 December 2022, no gearing ratio was presented.

During the first half of 2023, the Group invested RMB85.7 million on capital expenditure (31 December 2022: RMB274.7 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 30 June 2023, the Group had total capital commitments (contracted but not provided for) of RMB158.8 million (31 December 2022: RMB240.9 million).

As at 30 June 2023, the Group had future aggregate minimum lease payments under non-cancellable short-term leases of buildings and other non-cancellable contracts of RMB3.5 million (31 December 2022: RMB3.7 million).

The Group had no material contingent liabilities as at 30 June 2023 and 31 December 2022.

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 period under review.

CHARGE ON ASSETS

As at 30 June 2023, certain land use rights and buildings of the Group with net book value of RMB618.0 million (31 December 2022: RMB553.6 million) were pledged for bank borrowings of RMB243.1 million (31 December 2022: RMB177.3 million).

In addition, the Group had a banking facility of USD8.0 million (equivalent to RMB57.8 million) (31 December 2022: RMB55.7 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 RMB26.0 million as at 30 June 2023 (31 December 2022: RMB15.5 million).

HUMAN RESOURCES AND MANAGEMENT

As at 30 June 2023, the Group had approximately 2,500 (31 December 2022: 2,600) employees. For the period under review, total employee benefit expenses, including directors' emoluments, was approximately RMB105.5 million (first half of 2022: RMB110.7 million). In order to improve the overall profitability and profit margin, the Group has implemented measures to tighten the control over expenses since last year, these measures included simplifying and optimizing the department structure and staff costs decreased accordingly during the period under review.

The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruits 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 period under review, the Group recorded foreign exchange gain in relation to its cash and cash equivalent in HKD and USD totaling RMB1.8 million (first half of 2022: net foreign exchange gain totaling RMB0.2 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.

INTERIM DIVIDEND

No interim dividend was declared by the Board for the six months ended 30 June 2023 (30 June 2022: Nil).

CORPORATE GOVERNANCE CODE

The Group recognised 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 of Hong Kong Limited (the “**Stock Exchange**”).

In the opinion of the directors of the Company, the Company has complied with all code provisions as set out in the CG Code throughout the six months ended 30 June 2023.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code, all directors have confirmed that they complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2023.

CHANGES IN DIRECTORS’ AND CHIEF EXECUTIVES’ INFORMATION

Save for information disclosed elsewhere in this announcement, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 six months ended 30 June 2023 and up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2023.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises four independent non-executive directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 as well as this announcement and has recommended their adoption to the Board.

In addition, the Company’s auditor, Baker Tilly Hong Kong Limited has also conducted a review of the aforesaid unaudited interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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 August 2023

As of the date of this announcement, the Board comprises 11 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); four are non-executive Directors, namely 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.