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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 2024

FINANCIAL HIGHLIGHTS			
KEY FINANCIAL PERFORMANCE AND RATIOS			
For the six months ended 30 June	Unaudited 2024 RMB'000	Unaudited 2023 RMB'000	Changes
Revenue	563,585	568,823	-0.9%
Gross profit	171,722	166,088	3.4%
Gross profit margin	30.5%	29.2%	1.3% points
EBITDA ⁽¹⁾	78,790	76,919	2.4%
Profit attributable to equity shareholders of the Company	32,809	26,159	25.4%
Earnings per share			
— Basic	RMB0.043	RMB0.035	
— Diluted	RMB0.043	RMB0.035	
	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000	Changes
Total assets	1,843,465	1,964,073	-6.1%
Net cash position ⁽²⁾	226,282	228,442	-0.9%
Net current assets	204,646	153,485	33.3%
Total equity attributable to equity shareholders of the Company	1,234,122	1,201,338	2.7%
Return on equity (annualised) ⁽³⁾	5.3%	-0.2%	5.5% points
Net asset per share	RMB1.6	RMB1.6	
Finished goods turnover days ⁽⁴⁾	11 days	16 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 2024, and the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2024, 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 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
Revenue	6	563,585	568,823
Cost of goods sold	7	(391,863)	(402,735)
Gross profit		171,722	166,088
Distribution cost and selling expenses	7	(67,408)	(64,231)
Administrative expenses	7	(68,729)	(68,524)
Other income and other (losses)/gains — net	8	(109)	1,504
Operating profit		35,476	34,837
Finance income	9	6,315	8,680
Finance costs	9	(4,609)	(4,569)
Finance income — net		1,706	4,111
Share of net losses of associates		(213)	(573)
Profit before income tax		36,969	38,375
Income tax expense	10	(4,160)	(12,270)
Profit for the period		32,809	26,105
Profit for the period attributable to:			
Equity shareholders of the Company		32,809	26,159
Non-controlling interests		—	(54)
		32,809	26,105
Earnings per share for profit attributable to equity shareholders of the Company			
— Basic earnings per share (expressed in RMB per share)	11	RMB0.043	RMB0.035
— Diluted earnings per share (expressed in RMB per share)	11	RMB0.043	RMB0.035

The notes on pages 9 to 32 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 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit for the period	32,809	26,105
Other comprehensive (loss)/income		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	—	(5)
<i>Items 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	(1,265)	(581)
Gain on revaluation of a property, net of tax	<u>1,044</u>	<u>—</u>
Other comprehensive loss for the period, net of tax	<u>(221)</u>	<u>(586)</u>
Total comprehensive income for the period	<u>32,588</u>	<u>25,519</u>
Total comprehensive income/(loss) for the period is attributable to:		
Equity shareholders of the Company	32,588	25,573
Non-controlling interests	<u>—</u>	<u>(54)</u>
	<u>32,588</u>	<u>25,519</u>

The notes on pages 9 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2024

		Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,049,474	1,035,126
Construction-in-progress	13	17,906	99,586
Right-of-use assets	14	71,334	77,323
Investment property	13	30,945	—
Intangible assets	13	1,606	1,794
Prepayments for non-current assets		7,810	7,856
Deferred income tax assets		19,888	20,355
Investment in an associate		10,190	10,403
Financial assets at fair value through other comprehensive income	5.3	22,296	23,561
		<u>1,231,449</u>	<u>1,276,004</u>
Current assets			
Inventories		92,936	136,948
Trade receivables	15	8,925	6,216
Other receivables, prepayments and deposits		10,011	22,169
Financial assets at fair value through profit or loss	5.3	2,000	2,000
Cash and bank balances	16	498,144	520,736
		<u>612,016</u>	<u>688,069</u>
Total assets		<u><u>1,843,465</u></u>	<u><u>1,964,073</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)**AS AT 30 JUNE 2024*

		Unaudited	Audited
		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
EQUITY			
Share capital	17	6,433	6,433
Other reserves		702,492	698,508
Retained earnings		525,197	496,397
		<hr/>	<hr/>
Total equity		1,234,122	1,201,338
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Non-current liabilities			
Borrowings	20	194,196	213,828
Lease liabilities	14	—	7,169
Deferred income tax liabilities		7,777	7,154
		<hr/>	<hr/>
		201,973	228,151
		<hr/>	<hr/>
Current liabilities			
Trade payables	19	111,904	125,859
Other payables and accrued charges		196,045	243,485
Contract liabilities		20,694	83,366
Current income tax liabilities		1,061	3,408
Borrowings	20	77,666	78,466
		<hr/>	<hr/>
		407,370	534,584
		<hr/>	<hr/>
Total liabilities		609,343	762,735
		<hr/>	<hr/>
Total equity and liabilities		1,843,465	1,964,073
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 32 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 2024

	Unaudited Equity attributable to equity shareholders of the Company				Non- controlling interests RMB'000	Total equity RMB'000	
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000			Total RMB'000
Balance at 1 January 2024		6,433	698,508	496,397	1,201,338	—	1,201,338
Profit for the period		—	—	32,809	32,809	—	32,809
Other comprehensive (loss)/income							
Fair value losses on financial assets at fair value through other comprehensive income		—	(1,265)	—	(1,265)	—	(1,265)
Gain on revaluation of a property		—	1,044	—	1,044	—	1,044
Total comprehensive (loss)/income for the period ended 30 June 2024		—	(221)	32,809	32,588	—	32,588
Equity-settled share-based payment expenses	18	—	196	—	196	—	196
Appropriation to statutory reserves		—	4,009	(4,009)	—	—	—
Balance at 30 June 2024		<u>6,433</u>	<u>702,492</u>	<u>525,197</u>	<u>1,234,122</u>	<u>—</u>	<u>1,234,122</u>
Balance at 1 January 2023		6,433	725,715	501,987	1,234,135	563	1,234,698
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-based payment expenses	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>

The notes on pages 9 to 32 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 2024

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		52,065	(60,656)
Income tax paid		(5,765)	(3,396)
Interest paid		(3,896)	(4,299)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		42,404	(68,351)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant and equipment, including additions of construction-in-progress		(51,090)	(105,314)
Settlement of bank deposits with original maturity over 3 months		86,119	79,063
Interest received		6,315	6,844
Proceeds from disposal of property, plant and equipment		229	1,256
Placement of bank deposits with original maturity over 3 months		(121,932)	(81,626)
Placement of restricted bank balances		—	(10,499)
Deregistration of a subsidiary		—	(509)
		<hr/>	<hr/>
Net cash used in investing activities		(80,359)	(110,785)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from drawdown of borrowings		—	290,018
Repayment of borrowings		(20,432)	(216,017)
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(20,432)	74,001
		<hr/>	<hr/>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		471,667	442,641
Effect of foreign exchange rate changes in cash and cash equivalents		(18)	1,836
		<hr/>	<hr/>
Cash and cash equivalents at end of the period	16	413,262	339,342
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 32 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 2024

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, 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 16 August 2024.

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 2024 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 of 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 2023, 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. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information have been prepared on the historical cost convention, except for an investment property and 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 2023 and the corresponding interim financial period, except for the application of below accounting policies which become relevant to the Group in the current interim period and the adoption of new and amendments to HKFRSs set out below.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. Property held by the lessee as a right-of-use asset for long-term rental yields or for capital appreciation or both is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined an open market value basis at the end of each reporting period. Changes in fair value are recognised in the consolidated income statement.

If an owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 & HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior period and/or on the disclosures set out in these interim condensed consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 2023, except for the key sources of estimation uncertainty which become relevant to the Group in the current interim period set out below.

Estimation of fair value of an investment property

The best evidence of fair value is current price in an active market of similar leases or transactions. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from fair market value by reference to independent valuation. This conclusion is supported by an independent professionally qualified valuer who was engaged by the Group during the year to perform valuation on the Group's investment property. The carrying amount of the investment property at 30 June 2024 was RMB30,945,000 (31 December 2023: Nil) (note 13).

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 2023.

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 1	Between 1	Between 2		Total	Carrying
At 30 June 2024	average	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
Trade payables		111,904	—	—	—	111,904	111,904
Other payables (excluding non- financial liabilities)		109,409	—	—	—	109,409	109,409
Borrowings	3.12%	85,100	60,710	129,110	19,605	294,525	271,862
		<u>306,413</u>	<u>60,710</u>	<u>129,110</u>	<u>19,605</u>	<u>515,838</u>	<u>493,175</u>
		Audited					
	Weighted	Less than 1	Between 1	Between 2		Total	Carrying
At 31 December 2023	average	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
Trade payables		125,859	—	—	—	125,859	125,859
Other payables (excluding non- financial liabilities)		148,526	—	—	—	148,526	148,526
Borrowings	3.03%	86,893	53,315	145,006	34,446	319,660	292,294
Lease liabilities	4.50%	—	—	4,392	4,392	8,784	7,169
		<u>361,278</u>	<u>53,315</u>	<u>149,398</u>	<u>38,838</u>	<u>602,829</u>	<u>573,848</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:

- Based on quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Derived from 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).
- Derived from valuation techniques that include 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 2024:

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Financial assets		
Financial assets at fair value through profit or loss (“ FVPL ”)		
— Level 3	2,000	2,000
Financial assets at fair value through other comprehensive income (“ FVOCI ”)		
— Level 3	22,296	23,561
	24,296	25,561

During the six months ended 30 June 2024, 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 fair values of Level 3 financial assets are mainly derived from valuation technique using an unobservable range of data. In estimating the fair value of a financial asset under Level 3, the Group engages an external valuer or establishes appropriate valuation techniques internally to perform the valuations which are reviewed by management.

The following table provides further information regarding the valuation of material financial assets under Level 3.

	Fair value as at		Valuation technique	Significant unobservable inputs	Input values	Sensitivity analysis
	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000				
Financial assets at FVPL						
Unlisted equity investment	2,000	2,000	Market approach	Enterprise value to sales ratio	3.05 (31 December 2023: 3.05)	An increase in enterprise value to sales ratio would result in an increase in the fair value
Financial assets at FVOCI						
Unlisted equity investments	16,129	16,129	Discounted cash flow	Discount rate	13% (31 December 2023: 13%)	An increase in discount rate would result in a decrease in the fair value
	6,167	7,432	Market approach	Enterprise value to sales ratio	0.93 to 5.53 (31 December 2023: 0.93 to 5.53)	An increase in enterprise value to sales ratio would result in an increase in the fair value

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 2024:

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Opening balance	25,561	83,603
Transfers — FVOCI	—	16,129
Disposals — FVPL	—	(24,660)
Fair value changes — loss to profit or loss	—	(7,788)
Fair value changes — loss to comprehensive income	(1,265)	(41,723)
Closing balance	24,296	25,561

Reconciliation of level 3 fair value measurements:

	Financial assets at FVPL <i>RMB'000</i>	Financial assets at FVOCI <i>RMB'000</i>
At 1 January 2023	34,448	49,155
Total fair value losses		
— in profit or loss	(7,788)	—
— in other comprehensive income	—	(41,723)
Additions	—	16,129
Disposals	(24,660)	—
At 31 December 2023 and 1 January 2024	2,000	23,561
Total fair value losses		
— in other comprehensive income	—	(1,265)
At 30 June 2024	2,000	22,296

5. FINANCIAL RISK MANAGEMENT *(Continued)*

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. REVENUE AND 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 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 directors of the Company for review.

6. REVENUE AND SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2024 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	338,625	153,500	41,503	29,957	563,585
Cost of goods sold	(232,339)	(108,958)	(26,717)	(23,849)	(391,863)
Results of reportable segments	106,286	44,542	14,786	6,108	171,722

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

Results of reportable segments	171,722
Distribution cost and selling expenses	(67,408)
Administrative expenses	(68,729)
Other income and other losses — net	(109)
Finance income — net	1,706
Share of net loss of an associate	(213)
Profit before income tax	36,969
Income tax expense	(4,160)
Profit for the period	32,809

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	22,657	13,966	2,868	4,320	43,811
Unallocated					47
					43,858
Capital expenditure					
Allocated	7,572	594	1,460	891	10,517
Unallocated					7
					10,524

6. REVENUE AND 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	<u>116,127</u>	<u>33,820</u>	<u>13,490</u>	<u>2,651</u>	<u>166,088</u>

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

Results of reportable segments	166,088
Distribution cost 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	<u>26,105</u>

Other segment information is as follows:

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

7. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	253,653	269,152
Changes in inventories of work-in-progress and finished goods	26,177	22,050
Employee benefit expense, including directors' emoluments	97,551	105,487
Utilities and various office expenses	40,316	46,658
Transportation and packaging expenses	30,094	28,641
Depreciation of property, plant and equipment (<i>note 13</i>)	42,663	32,995
Travelling expenses	8,888	9,205
Marketing and advertising expenses	3,205	1,903
Repair and maintenance expenses	2,347	2,543
Short-term lease expenses	636	580
Amortisation of right-of-use assets	1,007	1,208
Auditor's remuneration	250	500
Amortisation of intangible assets (<i>note 13</i>)	188	209
Reversal of provision for decline in value of inventories	(1,320)	(2,975)
Others	22,345	17,334
	<hr/>	<hr/>
Total cost of sales, distribution cost and selling expenses and administrative expenses	528,000	535,490

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants	333	5,032
Loss on disposal of property, plant and equipment — net	(6,134)	(193)
Gain on early termination of a lease contract	3,061	—
Loss on disposal of intangible assets	—	(4)
Net fair value losses on financial assets at FVPL	—	(7,788)
Exchange (losses)/gains from operating activities — net	(3)	487
Compensation payment from suppliers	58	1,577
Penalty income	614	356
Operating lease income	2,250	1,811
Others	(288)	226
	<u>(109)</u>	<u>1,504</u>

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

9. FINANCE INCOME AND FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	6,315	6,844
Exchange gains	—	1,836
	<u>6,315</u>	<u>8,680</u>
Finance costs:		
Interest expense for borrowings	(3,896)	(4,299)
Interest expense for lease liabilities	(151)	(152)
Exchange losses	(18)	—
Other finance charges	(544)	(118)
	<u>(4,609)</u>	<u>(4,569)</u>
Finance income — net	<u>1,706</u>	<u>4,111</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 2024 (for the six months ended 30 June 2023: 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	
	2024	2023
	RMB'000	RMB'000
Current income tax — PRC Enterprise Income Tax (“EIT”)	3,418	7,586
Deferred income tax, net	742	4,684
Income tax expense	<u>4,160</u>	<u>12,270</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 RMB45,871,000 as at 30 June 2024 (31 December 2023: RMB49,176,000) 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 2024, deferred income tax liabilities of approximately RMB2,294,000 (31 December 2023: RMB2,459,000) have not been recognised for the withholding tax that would be payable on such unremitted earnings of those PRC subsidiaries.

11. EARNINGS PER SHARE

11.1 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	
	2024	2023
Profit attributable to equity shareholders of the Company (<i>RMB'000</i>)	<u><u>32,809</u></u>	<u><u>26,159</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>RMB0.043</u></u>	<u><u>RMB0.035</u></u>

11.2 Diluted

Diluted earnings per share is the same as basic earnings per share for the periods ended 30 June 2024 and 30 June 2023, 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 16 August 2024, the Directors resolved not to declare an interim dividend for the six months ended 30 June 2024 (2023: Nil).

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

	Property, plant and equipment <i>RMB'000</i>	Investment property <i>RMB'000</i>	Construction-in- progress <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
At 1 January 2024 (Audited)	1,035,126	—	99,586	1,794
Additions	8,083	—	2,441	—
Transfers	55,291	28,830	(84,121)	—
Transfer from a right-of-use asset	—	723	—	—
Disposals	(6,363)	—	—	—
Surplus on valuation	—	1,392	—	—
Depreciation/amortisation	(42,663)	—	—	(188)
	<u>1,049,474</u>	<u>30,945</u>	<u>17,906</u>	<u>1,606</u>
At 30 June 2024 (Unaudited)	<u>1,049,474</u>	<u>30,945</u>	<u>17,906</u>	<u>1,606</u>
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)
	<u>1,081,149</u>	<u>—</u>	<u>118,918</u>	<u>1,983</u>
At 30 June 2023 (Unaudited)	<u>1,081,149</u>	<u>—</u>	<u>118,918</u>	<u>1,983</u>

During the period ended 30 June 2024, the Group changed the use of certain of its property, plant and equipment and right-of-use assets and leased them to independent third parties for rental income. The fair value at the date of transfer was determined by an independent qualified professional valuer. Upon the transfer to investment property, this property was revalued with a gain on revaluation of approximately RMB1,392,000 credited to other reserves. The corresponding deferred tax liability of approximately RMB348,000 has been debited to other reserves. There was no such transfer during the year ended 31 December 2023.

As at 30 June 2024, certain land use rights (note 14) and buildings of the Group, with a total net book value of RMB572,651,000 (31 December 2023: RMB586,050,000), were pledged as security for borrowings of the Group amounted to RMB216,162,000 (31 December 2023: RMB234,994,000) as disclosed in note 20.

14. LEASES

Amounts recognised in the consolidated balance sheet

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Right-of-use assets		
Buildings	—	4,363
Land use rights	<u>71,334</u>	<u>72,960</u>
	<u>71,334</u>	<u>77,323</u>
Lease liabilities		
Buildings		
— Non-current	<u>—</u>	<u>7,169</u>

As at 30 June 2024, certain land use rights of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, the PRC, with carrying amount of approximately RMB5,966,000 (31 December 2023: RMB6,040,000), were still in the process of applying for the ownership certificates.

During the period ended 30 June 2024, the Group early terminated a lease arrangement due to the cessation of operation of a subsidiary. The Group had derecognised right-of-use assets of RMB4,259,000 and the related lease liabilities of RMB7,320,000, resulting in a gain on early termination of a lease contract amounted to RMB3,061,000 (note 8).

The total cash outflow for leases during the period, not considering the receipt of government grant, was RMB636,000 (2023: RMB580,000).

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 2023 and 30 June 2024 was as follows:

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Within 30 days	6,362	4,505
31-180 days	2,442	1,526
Over 180 days	<u>121</u>	<u>185</u>
	<u>8,925</u>	<u>6,216</u>

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

16. CASH AND BANK BALANCES

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Cash and cash equivalents	413,262	471,667
Term deposits — current	<u>84,882</u>	<u>49,069</u>
Total	<u><u>498,144</u></u>	<u><u>520,736</u></u>

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

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

17. SHARE CAPITAL

	Unaudited			
	2024	2024	2023	2023
	<i>Shares</i>	<i>RMB'000</i>	<i>Shares</i>	<i>RMB'000</i>
As at 1 January and 30 June	<u><u>755,096,557</u></u>	<u><u>6,433</u></u>	<u><u>755,096,557</u></u>	<u><u>6,433</u></u>

18. SHARE OPTION SCHEME

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

On 16 August 2018, 11,000,000 share options (“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 16 August 2018 (exercise price HK\$2.31 per share)	Options granted on 23 August 2021 (exercise price HK\$2.19 per share)	Total number of options
At 1 January 2024 (Audited)	—	5,656,000	5,656,000
Cancelled/lapsed during the period	—	(308,000)	(308,000)
	<hr/>	<hr/>	<hr/>
At 30 June 2024 (Unaudited)	—	5,348,000	5,348,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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)
	<hr/>	<hr/>	<hr/>
At 30 June 2023 (Unaudited)	4,770,000	8,490,000	13,260,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18. SHARE OPTION SCHEME (Continued)

Options outstanding as at 30 June 2024 have the following expiry dates and exercise prices:

Grant date	Exercisable date	Expiry date	Exercise price	Number of Options 30 June 2024
23 August 2021	24 August 2023	23 August 2024	HK\$2.19	2,292,000
23 August 2021	24 August 2024	23 August 2025	HK\$2.19	3,056,000
Total				5,348,000

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 2024 amounted to RMB196,000 (six months ended 30 June 2023: RMB359,000), and the remaining unamortised fair value of share options granted of approximately RMB82,000 (30 June 2023: RMB785,000) 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 16 August 2018		Options granted on 23 August 2021	
Grant date share price	HK\$2.29		HK\$2.19	
Exercise price	HK\$2.31		HK\$2.19	
Expected life	5 years	2 years	3 years	4 years
Expected volatility (Note a)	34%	41%	39%	37%
Risk-free rate (Note b)	2.06%	0.18%	0.29%	0.45%
Dividend yield (Note c)	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 was as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Within 30 days	47,225	125,747
31 — 180 days	63,581	50
181 — 365 days	994	24
Over 365 days	104	38
	<hr/> 111,904 <hr/>	<hr/> 125,859 <hr/>

20. BORROWINGS

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Current		
Bank loans — unsecured	40,200	40,800
Bank loans — secured	37,466	37,666
	<hr/> 77,666 <hr/>	<hr/> 78,466 <hr/>
Non-current		
Bank loans — unsecured	15,500	16,500
Bank loans — secured	178,696	197,328
	<hr/> 194,196 <hr/>	<hr/> 213,828 <hr/>
Total borrowings	271,862	292,294

The secured borrowings of the Group as at 30 June 2024 and 31 December 2023 were secured by certain land use rights (note 14) and buildings (note 13) of the Group.

For the six months ended 30 June 2024, the weighted average effective interest rates on borrowings were 3.12% (year ended 31 December 2023: 3.03%) per annum.

21. COMMITMENTS

As at 30 June 2024 and 31 December 2023, the Group had the following commitments:

(a) Capital commitments

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

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Contracted but not provided for in respect of:		
Machinery and equipment	10,342	23,412
Buildings and land use rights	22,691	16,411
	33,033	39,823

(b) Other commitments

As at 30 June 2024 and 31 December 2023, 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 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Not later than 1 year	1,883	2,084

21. COMMITMENTS (Continued)

(c) The Group as lessor

The Group leases out building and a number of warehouses under operating leases. The leases typically run for an initial period of 2 to 5 years (2023: 2 to 3 years). None of the leases includes variable lease payments.

Undiscounted lease payments receivable on leases are as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Within 1 year	3,753	2,963
Within a period of more than 1 year but not exceeding 2 years	2,887	380
Within a period of more than 2 years but not exceeding 5 years	7,003	—
	<u>13,643</u>	<u>3,343</u>

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 operational 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	
	2024	2023
	RMB'000	RMB'000
Lianjie Sports Investments Limited ("Lianjie Sports")	<u>218</u>	<u>213</u>

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

(ii) Purchases of goods from

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Fujian Shuncheng Flour Industry Development Co., Ltd. ("Shuncheng Flour")	<u>69</u>	<u>106</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 2024, the key management comprised the directors (excluding independent non-executive directors) and certain senior management, and their compensation amounted to approximately RMB2,067,000 (six months ended 30 June 2023: RMB2,136,000).

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

The first half of 2024 remained challenging for PRC’s economy. Competition in the food and snacks industry in the PRC is intense. The rapid growth of new snack food chains in PRC also posed an impact on the business of certain sales channels such as unchained grocers, supermarket and convenience stores. Along with other economic uncertainties, such as real estate market downturn and moderating consumption, the Group believed that consumers have become more price-sensitive and caused negative 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 ameliorating 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 good value-for-money 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 2024 (the “**Reporting Period**”), the Group’s total revenue was approximately RMB563.6 million (first half of 2023: RMB568.8 million), representing a decrease of approximately RMB5.2 million or 0.9% over the same period of last year. The decrease in revenue in the Reporting Period was mainly due to the decrease in sales of jelly products partly offset by the increase in sales of crackers and chips, confectionery and other products.

For the Reporting Period, the Group’s gross profit and gross profit margin both increased. Gross profit for the Reporting Period was approximately RMB171.7 million (first half of 2023: RMB166.1 million), representing an increase of approximately RMB5.6 million or 3.4% over the same period of last year; gross profit margin was 30.5% (first half of 2023: 29.2%), representing an increase of approximately 1.3 percentage points over the same period of last year. During the Reporting Period, the Group recorded a consolidated net profit attributable to the shareholders of the Company of approximately RMB32.8 million, as compared to the consolidated net profit attributable to the shareholders of the Company of approximately RMB26.2 million for the six months ended 30 June 2023, representing an increase of approximately RMB6.6 million.

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

- (i) during the Reporting Period, the cost of certain raw materials of the Group decreased slightly, production and management efficiency of the Group’s production bases have been improved, resulting in an increase in gross profit and gross profit margin of approximately RMB5.6 million and 1.3 percentage points respectively for the Reporting Period when compared to the same period last year;
- (ii) the Group fully redeemed the unlisted investment fund units held by the Group and recorded a net loss of approximately RMB7.8 million due to changes in their fair value during the six months period ended 30 June 2023. No such losses were recorded in the Reporting Period;
- (iii) the Group recorded loss on disposal of property, plant and equipment of RMB6.1 million in the Reporting Period (first half of 2023: RMB0.2 million). It mainly arose from the close-down of the production base in Ningxia City, Gansu Province during the Reporting Period due to the continuous losses incurred by the Group since the establishment of that production base. Consequently, it resulted in a one-off loss on disposal of property, plant and equipment of its production facilities of RMB6.1 million during this Reporting Period;

- (iv) the amount of government grants received by the Group from various local government authorities in Mainland China decreased from RMB5.0 million for the six months ended 30 June 2023 to RMB0.3 million for the Reporting Period, decreased by approximately RMB4.7 million as compared to the same period last year; and
- (v) the taxation expense of the Group decreased from RMB12.3 million for the six months ended 30 June 2023 to RMB4.2 million for the Reporting Period, decreased by approximately RMB8.1 million due to the utilisation of tax losses carried forward from previous years.

Jelly products

Sales of jelly products in the Reporting Period were approximately RMB338.6 million (first half of 2023: RMB381.9 million), representing a decrease of approximately 11.3% over the same period last year, and accounting for 60.1% (first half of 2023: 67.1%) of total revenue of the Group. Gross profit was approximately RMB106.3 million (first half of 2023: RMB116.1 million), representing a decrease of approximately 8.4% over the same period of last year. Gross profit margin was approximately 31.4% (first half of 2023: 30.4%), representing an increase of approximately 1.0 percentage points over the same period of last year.

With the rapid growth of new snack food chains in PRC, sales of the Group's jelly products through distributors to traditional sales channels such as unchained grocers and supermarket have been decreased. During the Reporting Period, although the Group has recorded an increase in sales through new snack food chains, such increase could not fully offset by the decrease in sales of jelly products through traditional sales channels, which contributed to the overall decrease in sales. In addition, sales of jelly products of the Group during the Reporting Period have been negatively impacted by the competition resulting from the introduction of lower-priced produced by competitors and the Group's sales volume and gross profit decreased accordingly. During the Reporting Period, the cost of certain raw materials decreased slightly while production and management efficiency of the Group's production bases have been improved, resulting in an increase in gross profit margin.

Although sales of jelly products have been decreased in the first half of 2024 and have not met the target of the Group, the Group will continue to implement strategies and measures to increase sales and improve the profitability of this segment.

Crackers and Chips

Sales of crackers and chips in the Reporting Period were approximately RMB153.5 million (first half of 2023: RMB126.1 million), representing an increase of approximately 21.7% over the same period of last year, and accounting for 27.2% (first half of 2023: 22.2%) of total revenue of the Group. Gross profit was approximately RMB44.5 million (first half of 2023: RMB33.8 million), representing an increase of approximately 31.7% over the same period of last year. Gross profit margin was approximately 29.0% (first half of 2023: 26.8%), 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 of the Group's 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. The Group 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」。The increase in sales volume coupled with the improvement in the production and management efficiency of the Group's production bases, has contributed to the 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 2023: RMB41.5 million), which remained unchanged as compared with the same period last year, and accounting for 7.4% (first half of 2023: 7.3%) of total revenue of the Group. Gross profit was approximately RMB14.8 million (first half of 2023: RMB13.5 million), representing an increase of approximately 9.6% over the same period of last year. Gross profit margin was approximately 35.6% (first half of 2023: 32.5%), representing an increase of approximately 3.1 percentage points over the same period of last year.

During the Reporting Period, the costs of major raw materials has declined as compared to the same period of last year, resulting in the increase in 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 RMB30.0 million (first half of 2023: RMB19.4 million), representing an increase of approximately 54.6% over the same period of last year, and accounting for 5.3% (first half of 2023: 3.4%) of total revenue of the Group. Gross profit was approximately RMB6.1 million (first half of 2023: RMB2.7 million), representing an increase of approximately 125.9% over the same period of last year. Gross profit margin was approximately 20.4% (first half of 2023: 13.7%), representing an increase of approximately 6.7 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 was established and the new rice wine products have been launched, there has been a gradual increase in sales over the previous years 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.

Distribution Cost and Selling Expenses

Distribution cost and selling expenses mainly represented staff costs, transportation costs, marketing and advertising expenses and other selling related expenses. Distribution cost and selling expenses in the Reporting Period were approximately RMB67.4 million (first half of 2023: RMB64.2 million), representing an increase of 5.0% over the same period of last year, and accounting for 12.0% (first half of 2023: 11.3%) of total revenue of the Group. The period-over-period increase in distribution cost and selling expenses was mainly attributable to the increase in distribution costs on crackers and chips products during the Reporting Period due to the increase in sales volume of these products. Distribution costs on crackers and chips products were higher than other products though crackers and chips products were more light-weighted but bulkier in size.

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 RMB68.7 million (first half of 2023: RMB68.5 million), representing an increase of 0.3% over the same period of last year, and accounting for 12.2% (first half of 2023: 12.0%) 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 RMB6.7 million after the new production bases were in full operation partly offset by the decrease in employee salaries and benefit expenses of approximately RMB5.0 million and other office expenses as 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.

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 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 the investments of the Group as the business performance of these investments could not meet the expectation under the general weakening consumer and business sentiment. In addition, the lack of new investment funds from investors has also resulted in the lack of resources for growth of these investee companies. As a result, the Group recognised a fair value loss through other comprehensive income of RMB1.3 million (first half of 2023: RMB0.6 million).

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 and 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 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 addition, the Group will continue to cooperate with certain 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 in number 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. However, the rapid growth of new snack food chains in PRC also posed an impact on the business of certain traditional sales channels such as unchained grocers, supermarket and convenience stores as the price of the products sold at the new snack food chains were usually lower than the retail price sold at traditional sales channels. Therefore, the Group's sales to traditional sales channels have decreased accordingly during the Reporting Period.

The Group's development strategies on its e-commerce business was to reduce 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 to improve the overall profitability of the Group. 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 and the expansion project for the production base in Quanzhou City, Fujian Province was also completed in 2023. Not only did it improve the production capacity, quality and efficiency of the Group for its long-term development, it also reduced supply chain logistics costs and laid the foundation for further expanding the sales of products in the local surrounding areas.

During the Reporting Period, the Group decided to close-down the production base in Ningxia City, Gansu Province due to the continuous losses incurred by the Group since the establishment of the production base. The production base was established by the Group in 2021 on a leased property and the production and sales operations in that region were both below expectation. After a thorough assessment on the business considering the future profitability and cashflow of the Group, the Group decided to close-down the production base. Therefore, the Group recorded an one-off loss on disposal of property, plant and equipment of its production facilities in Ningxia City, Gansu Province of RMB6.1 million in the Reporting Period.

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 RMB10.5 million. 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 automation level of our production facilities. The Group continued to conduct “equipment transformation, production process enhancement and 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 and good value-for-money 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 the 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 2024. As at 30 June 2024, the Group had cash and bank balances of RMB498.1 million (31 December 2023: RMB520.7 million) and bank borrowings of RMB271.9 million (31 December 2023: RMB292.3 million).

As at 30 June 2024, the Group's working capital or net current assets were RMB204.6 million (31 December 2023: RMB153.5 million). The current ratio, represented by current assets divided by current liabilities, was 1.5 (31 December 2023: 1.3). The Group's total equity was RMB1,234.1 million (31 December 2023: RMB1,201.3 million), representing an increase of approximately 2.7%.

Cash and bank balances were mainly denominated in RMB, HKD and USD. As at 30 June 2023, pledged bank deposits of RMB26.0 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. The Group had no such short-term credit facility arrangement as at 30 June 2024.

As at 30 June 2024, the Group's bank borrowings denominated in RMB bore interest rates ranged from 1.30% to 3.75% per annum (31 December 2023: 1.30% to 3.75% per annum) with effective interest rate of 3.12% (31 December 2023: 3.03%). 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 2024 and in 31 December 2023, no gearing ratio was presented.

During the first half of 2024, the Group invested RMB10.5 million on capital expenditure (31 December 2023: RMB63.2 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 2024, the Group had total capital commitments (contracted but not provided for) of RMB33.0 million (31 December 2023: RMB39.8 million).

As at 30 June 2024, the Group had future aggregate minimum lease payments under non-cancellable short-term leases of RMB1.9 million (31 December 2023: RMB2.1 million).

The Group had no material contingent liabilities as at 30 June 2024 and 31 December 2023.

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 2024, certain land use rights and buildings of the Group with net book value of RMB572.7 million (31 December 2023: RMB586.0 million) were pledged for bank borrowings of RMB216.2 million (31 December 2023: RMB235.0 million).

In addition, the Group had a banking facility of USD8.0 million (equivalent to RMB57.8 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. There was no such short-term credit facility arrangement and pledged bank deposits as at 30 June 2024.

HUMAN RESOURCES AND MANAGEMENT

As at 30 June 2024, the Group had approximately 2,400 (31 December 2023: 2,500) employees. For the period under review, total employee benefit expenses, including directors' emoluments, was approximately RMB97.6 million (first half of 2023: RMB105.5 million). In order to improve the overall profitability and profit margin, the Group has implemented measures to tighten the control over expenses and these measures included simplifying and optimising the department structure. The Group also reduced the use of workers by increasing the automation level of its production facilities. As a result, 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 loss in relation to its cash and cash equivalent in HKD and USD totaling RMB18,000 (first half of 2023: net foreign exchange gain totaling RMB1.8 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 2024 (30 June 2023: 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 C1 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 2024.

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 C3 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 2024.

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 2024 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 2024.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises three independent non-executive directors, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024 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, 16 August 2024

As of the date of this announcement, the Board comprises 9 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); three are non-executive Directors, namely Mr. Sze Man Bok, Mr. Wu Huolu and Mr. Wu Yinhang; and three are independent non-executive Directors, namely Mr. Chan Yiu Fai Youdey, Mr. Paul Marin Theil and Ms. Tan Wenjie.