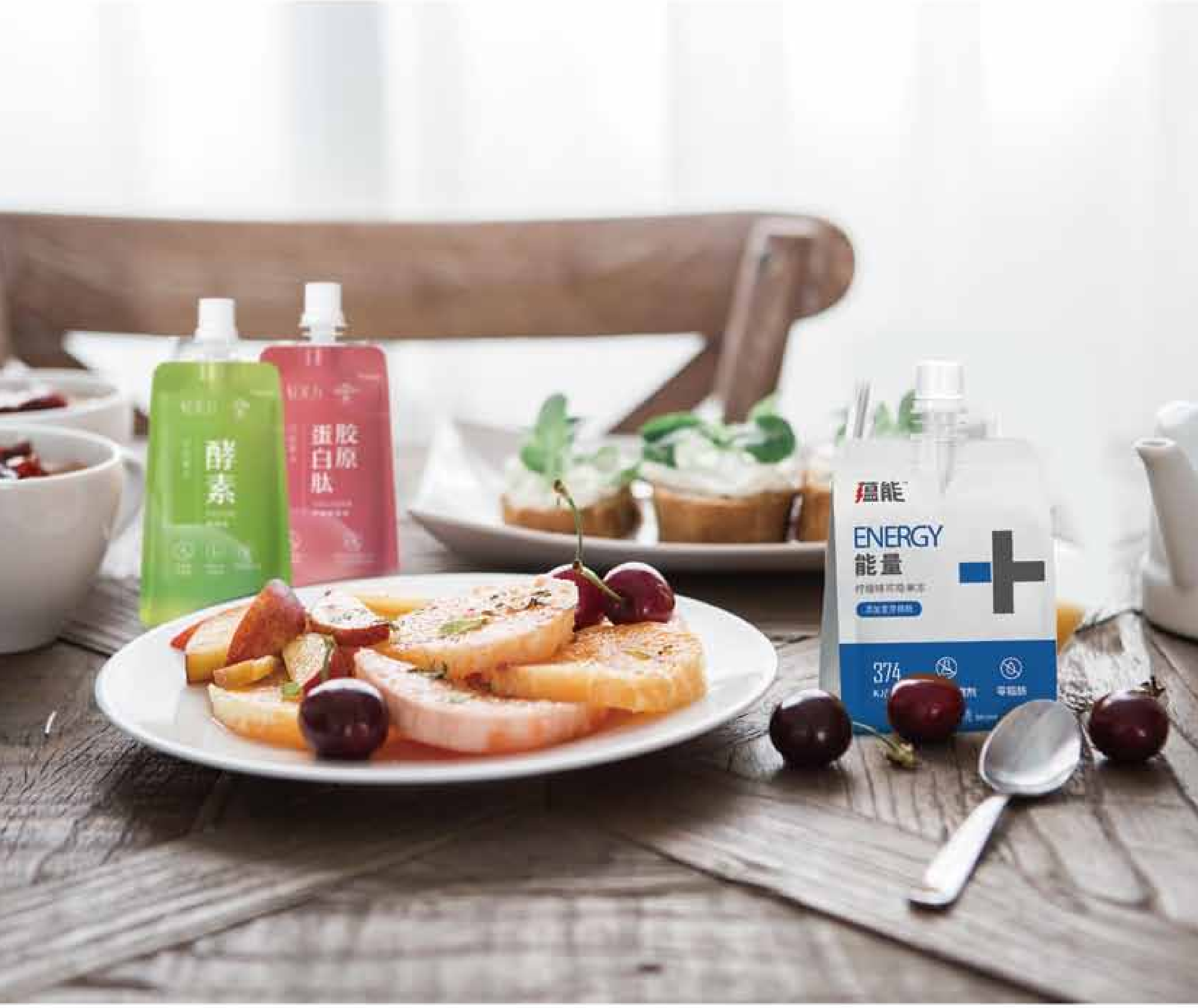
亲亲食品
Better Food, Better Life

親親食品集團（開曼）股份有限公司

QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1583



Annual Report 2019

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Hui Ching Lau *(Chairman)*
Wong Wai Leung *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Hui Lin Chit
Sze Man Bok
Wu Huolu
Wu Sichuan
Wu Yinhang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cai Meng
Chan Yiu Fai Youdey
Ng Swee Leng
Paul Marin Theil

COMPANY SECRETARY

Wong Wai Leung FCCA CPA

AUTHORISED REPRESENTATIVES

Sze Man Bok
Wong Wai Leung

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 1583

HEAD OFFICE IN THE PRC

Wuli Industrial Park
Jinjiang City
Fujian Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2601, 26th Floor
Admiralty Centre, Tower 1
18 Harcourt Road
Hong Kong

COMPANY'S WEBSITE

www.fjqinqin.com

LEGAL ADVISERS

Hong Kong

Reed Smith Richards Butler

PRC

Global Law Office

Cayman Islands

Maples and Calder

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

KEY FINANCIAL PERFORMANCE

Consolidated Income Statement

	For the year ended 31 December		
	2019 RMB'000	2018 RMB'000	**% of change**
Revenue	**690,852**	761,819	-9.3%
Operating profit	**76,618**	3,435	2,130.5%
Profit attributable to shareholders	**81,187**	32,760	147.8%
Earnings per share			
— Basic	**RMB0.125**	RMB0.058	
— Diluted	**RMB0.125**	RMB0.058	

Consolidated Balance Sheet

	As at 31 December		
	2019 RMB'000	2018 RMB'000	**% of change**
Cash and cash equivalents	**732,033**	566,085	29.3%
Bank borrowing	**NIL**	NIL	N/A
Net current assets	**661,494**	520,946	27.0%
Net assets	**1,146,760**	868,297	32.1%

KEY FINANCIAL RATIOS

	31 December 2019	31 December 2018	**Change (% points)**
Gross profit margin	**35.4%**	30.5%	4.9
Return on equity	**7.1%**	3.8%	3.3
Current ratio (times)	**4.1**	3.9	
Finished goods turnover days	**18 days**	11 days	
Trade receivables turnover days	**4 days**	4 days	

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**"), I am pleased to present the results of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 ("**FY19**").

PERFORMANCE

During the year, the Group continued to focus on the manufacturing, distribution and sale of food and snack products in the People's Republic of China (the "**PRC**"). Although the Group's revenue decreased by RMB70.9 million or 9.3% from RMB761.8 million for the year ended 31 December 2018 ("**FY18**") to RMB690.9 million in FY19, the gross profit increased by RMB12.0 million or 5.2% from RMB232.5 million in FY18 to RMB244.5 million in FY19. The Group recorded profit attributable to shareholders of the Company of RMB81.2 million and basic earnings per share of RMB0.125 in FY19, which increased by approximately 1.5 times as compared to the profit attributable to shareholders of the Company of RMB32.8 million and basic earnings per share of RMB0.058 in FY18.

Despite the decrease in sales volume and total revenue during the year, the significant increase in the consolidated net profit is mainly due to the Group focusing on the development of new and high-margin products by adjusting the product structure and sales strategies. During the year, the Group proactively increased its promotion and related sales expenditures on its new and high-margin products, whilst product promotional activities and expenses on its existing and low-margin products were reduced. These strategic adjustments led to a drop in the sales volume of its existing and low-margin products and a decrease in total revenue during the year accordingly. However, as the proportion of sales of new and high-margin products to total sales has been increased, together with the impact from sales strategies adjustments to reduce its promotional activities and expenses on its existing and low-margin products, such factors therefore resulted in a proportionately greater decrease in cost of goods sold figure for the year as compared with total revenue, and the Group's gross profit, gross profit margin, operating profit and consolidated net profit have all increased during the year.

In addition, in order to optimise the Group's resources and to facilitate the development of new production base, the Group disposed certain land use rights and property with a net gain of approximately RMB23.8 million during the year, which also resulted in the increase in the consolidated net profit for the year.

PROSPECTS AND VISION

Since the outbreak of the 2019 novel coronavirus disease (COVID-19) (the "**Epidemic**") in January 2020, a number of provinces and cities in Mainland China have activated the highest-level response to major public health emergencies, the Level 1 Response, and adopted various stringent measures to curb the spread of the Epidemic. The Group expected that the Epidemic will have an impact on the economy and the food and consumer goods industry in PRC. The Group will actively work utmost on epidemic prevention and control, and daily operation management to reduce the impact of the Epidemic on the Group's operations and financial performance.

The Group will continue its focus on the established food and snack products business. The Group will strive to expand its existing product portfolio and promote product innovation and upgrades to meet changing consumer preferences. The Group will also strengthen its distribution network in the PRC by enhancing existing cooperation relationships with distributors and expand online sales platform. The Group will continue to upgrade its information management system, production facilities and equipment to improve work efficiency, production efficiency and capability, in order to enhance the core competitiveness of the Group. The Group will continue to uphold stringent food safety and quality control standards.

The Group's corporate vision is "To become the most innovative food corporation in China through self-enhancement and to create a better life for all", with a business philosophy of "Better Food, Better Life" and a corporate mission of "To be a people oriented company that creates happiness and moments of optimism". The Group will continue to strive to create a new generation corporate culture with focus on "Integrity, Trustworthiness, Passion and Philanthropy".

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to all our shareholders, customers and other business partners for their long-term attention and support to the Group over the years. I would also like to thank the senior management team and all staff of the Group for their dedication and hard work to the Group during the past year.

Hui Ching Lau
Chairman
Hong Kong, 25 March 2020

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, confectionery and other food and snacks products under the "Qinqin (親親)" brand and seasoning products under the "Shangerry (香格里)" brand. The Group is committed to providing consumers with healthy and safe products. The Group continues to optimise its product portfolio and improve its product competitiveness in order to satisfy new consumer preferences and increase market share, and to further consolidate the leading position of the Group in food and snacks industry.

INDUSTRY ENVIRONMENT

While the food and snacks industry of the PRC faced challenges from economic environment in 2019, the Group believes that the food and snacks industry of the PRC is still an industry with great appeal and development potential. With the increase in consumers' health awareness and income level, new market opportunities are developing. The Group believes that the industry is also under continuing structural adjustment. As consumers pursue healthier and personalised products and favour high quality and innovative products, product development in this industry is becoming more diversified. Under such changes, enterprises have to focus on product innovation and product quality improvement and introduce new products to adapt to changes in consumers' demand and preferences. In addition, sales and distribution channels are also undergoing structural adjustments, resulting in the need for improvement in corporate sales and marketing strategies.

BUSINESS OVERVIEW

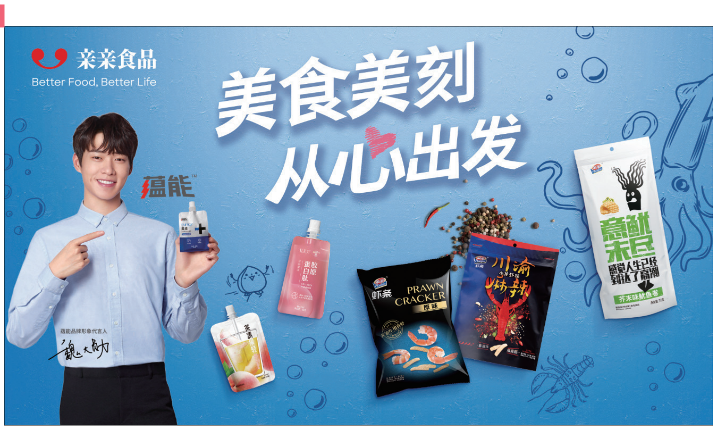
Although the Group's total revenue for 2019 was approximately RMB690.9 million (2018: RMB761.8 million), representing a decrease of 9.3% as compared with last year, the gross profit for the year was approximately RMB244.5 million (2018: RMB232.5 million), representing an increase of approximately 5.2% as compared with last year; gross profit margin was 35.4% (2018: 30.5%), representing an increase of approximately 4.9 percentage points as compared with last year. In 2019, the profit attributable to the Company's shareholders was approximately RMB81.2 million (2018: profit attributable to the Company's shareholders of RMB32.8 million), representing an increase of approximately 1.5 times as compared with last year.

In 2019, the Group aimed to increase its overall profit and to drive its long-term corporate development, through continuous adjustments on product mix. The Group focused on the development of new products to enrich its product portfolio. Despite the decrease in sales volume and total revenue during the year, the significant increase in the consolidated net profit is mainly due to the Group focusing on the development of new and high-margin products. During the year, the Group proactively increased its promotion and related sales expenditures on its new and high-margin products, whilst product promotional activities and expenses on its existing and low-margin products were reduced. These strategic adjustments led to a drop in the sales volume of its existing and low-margin products and a decrease in total revenue during the year accordingly. However, as the proportion of sales of new and high-margin products to total sales has been increased, together with the impact from sales strategies adjustments to reduce its promotional activities and expenses on its existing and low-margin products, such factors therefore resulted in a proportionately greater decrease in cost of goods sold figure for the year as compared with total revenue, and the Group's gross profit, gross profit margin, operating profit and consolidated net profit have all increased during the year. The Group believes the aforementioned adjustments to its product mix and sales strategies are beneficial to its long-term corporate development and growth.

In addition, in order to optimise the Group's resources and to facilitate the development of new production base, the Group disposed certain land use rights and property with a net gain of approximately RMB23.8 million during the year, which also resulted in the increase in the consolidated net profit for the year.

Jelly Products

Sales of jelly products for 2019 were approximately RMB411.5 million (2018: RMB435.2 million), representing a decrease of 5.5% as compared with last year and accounting for 59.6% (2018: 57.1%) of total revenue of the Group. In 2019, the Group continued to adjust its product mix and established its three major product lines including the traditional-flavor jelly product line, the pudding jelly product line and the functional jelly product line. The Group continued to focus on the development of pudding jelly and functional jelly products and promoted new products with high-margin, including fruit flavour flexible pouches packaging jelly products, namely「奇蔬妙果」,「蔬果一日分」and「茶清果輕」;「小Q仔」, a pudding jelly product line targeting the children market;「輕美力」, a body management jelly product targeting for the female market; and「蘊能+」, a functional fitness jelly products developed with the Institute of Sports Medicine of the General Administration of Sport of China. In 2019, the Group adjusted its sales strategies proactively by increasing its promotion and related sales expenditures on its new and high-margin products, whilst product promotional activities and expenses on its existing and low margin products were reduced. These strategic adjustments led to a drop in the sales volume of its existing and low-margin products and a decrease in total revenue during the year accordingly. During the current year, the gross profit margin of jelly products was 34.2% (2018: 27.8%), representing an increase of approximately 6.4 percentage points as compared with last year. Increase in gross profit and gross profit margin during the current year was mainly attributable to product mix adjustments and the increase in the proportion of new products, together with the impact on reduction of promotional activities and expenses on its existing and low-margin products. The Group believes that the gradual increase in the proportion of new products will facilitate the recovery of the growth trend of jelly products business.



Crackers and Chips

Sales of crackers and chips for 2019 were approximately RMB183.2 million (2018: RMB210.3 million), representing a decrease of 12.9% as compared with last year and accounting for 26.5% (2018: 27.6%) of total revenue of the Group. Since 2018, the Group has been focusing on the promotion of its high-priced products through a comprehensive upgrade of its prawn cracker products from packaging to product quality. The sales of these products are less robust in rural areas due to higher pricing, which led to a drop in the sales volume of products and a decrease in revenue and gross profit of crackers and chips in 2019. During the current year, the gross profit margin of crackers and chips is 40.0% (2018: 36.1%), representing an increase of approximately 3.9 percentage points as compared with last year. Increase in gross profit margin during the current year was mainly attributable to product mix adjustments and the increase in the proportion of new products, together with the impact on reduction of promotional activities and expenses on its existing and low-margin products.

In connection with the problem of sales of high-priced products are less robust in rural areas, the Group proactively developed more new products with wider price ranges as well as different specification in 2019, in order to cater for the needs of different markets and consumers. Meanwhile, the Group continued to launch new products with new flavours for its popular series (such as the classic prawn crackers series and the crayfish flavour series), established a product line of seafood crackers and chips, and launched its squid flavour products and chicken flavored products for taste-extension. The Group believes the continuous launching and distribution of new products to the market will be beneficial to the development and growth of its crackers and chips business.

Seasoning Products

Sales of seasoning products for 2019 were approximately RMB69.7 million (2018: RMB87.3 million), representing a decrease of 20.1% as compared with last year and accounting for 10.1% (2018: 11.5%) of total revenue of the Group. In 2019, the Group has made price adjustment to its products due to the significant increase in the price of certain raw material of seasoning products. As customers are relatively sensitive to the prices, along with the impact from sales strategies adjustments to reduce the intensity of product promotional activities and expenses, sales volume of seasoning products declined as a result. During the current year, the launching and promotion of new products was slower than expected, as a result, the negative impact from the decline in sales volume of its existing products and the increase of certain raw materials price was unable to be offset, thus revenue and gross profit of the seasoning products recorded a decrease in 2019. The gross profit margin was 35.8% (2018: 32.1%), representing an increase of approximately 3.7 percentage points as compared with last year. The increase was mainly attributable to the impact on reduction of promotional activities and expenses on products.

The Group's strategies will continue to accelerate the development of new products and upgrade on product packaging, resulting in an optimised product mix and an increased proportion in high-margin products. The Group continued to step up promotion of its seasoning products in two channels, namely the catering market and the agricultural trade and wholesale market, and to launch products to meet the demands of the catering market. Meanwhile, with aim of seeking market opportunities and new growth drivers in the process of industrialisation of the catering industry, the Group will continue to provide customised products and services to catering chain customers and catering supply chain customers.

Confectionery and Other Products

Sales of confectionery and other products for 2019 were approximately RMB26.5 million (2018: RMB29.0 million), representing a decrease of 8.6% as compared with last year and accounting for 3.8% (2018: 3.8%) of total revenue of the Group. Sales of confectionery and other products contributed relatively small proportion to the overall sales of the Group.

Development of Sesame Candy and Rice Wine Business

Since the Group has entered into the Strategic Cooperation Agreement with Xiaogan City People's Government in Mainland China in November 2018 to jointly promote the revitalisation and development of the traditional manufacturing industries of sesame candy (麻糖) and rice wine (米酒) (being local specialities of the Xiaogan City), the Group successfully won the bid for two parcels of land with total area of approximately 121,000 square meter located at Xiaogan City in January and August 2019 and obtained the land use rights certificate of the respective land. The construction of the first phase of Qinqin Healthy Rice Wine Industrial Park (親親健康米酒工業園) on the respective land was completed in January 2020 and it has entered into equipment installation and pilot production stages. During the year, the Group has also engaged an overseas design company to design a conceptual layout for its tourism factory facilities, and planned on developing a new project that incorporates the production of sesame candy (麻糖) and rice wine (米酒) with tourism elements.

The Group believes that the aforementioned new development project will expand its product lines, facilitate the Group's diversified development in its food and snack products business as well as further advance the Group's long-term development and growth.

Strategic Development Investment Project

During the year, the Group invested in a number of projects in accordance with its strategic development plans and business expansion strategies. The investment area is mainly on consumer products companies with fast-growing potential and synergy with the Group's business. The business of these enterprises mainly includes the production or sale of food, beverage and alcohol products in PRC and abroad, which is of positive significance to the long-term development and industrial layout of the Group.

Research and Development and Promotion

The Group is committed to developing natural, healthy products with good nutritious value and quality, and to establishing a brand image of "national snacks" among consumers. Upon restructuring the product management center last year, the Group, leveraging on the outstanding professional technical talents as well as research and development capabilities of innovative products, has enhanced its creativity in areas such as product development, packaging design and brand marketing, and has also increased its investments in product innovation, thereby reassuring the speed and efficiency of new products from development to launch.

The Group has focused on the launching, sales and marketing channels of new products, and has also put much attention on the innovative moves of social media nowadays. The Group also engaged the well-known young actor Wei Daxun (魏大勳) as spokesperson for its new strategic products「蘊能可吸凍」, made full use of social media including WeChat, Weibo, Douyin and Xiaohongshu etc. to establish effective interaction with young consumers, and large-scale marketing exposure, thereby enhanced brand loyalty. As for the distribution channels, basing on the behavioral changes of contemporary young consumer groups, the Group also launched「蘊能可吸凍」mainly through e-commerce and in convenience stores located in the first and second tier cities, and acquired competitive advantages in the market countrywide.

Product Upgrade

The Group believes that health-consciousness and food safety are still the major themes during the upgrade and transformation process of the PRC food industry. Any product upgrade must follow the trend of low sugar, low salt, and with no preservatives.

For jelly products, the Group has set the product development objective in the direction of functional and nutritional products with zero preservatives, zero artificial pigments, zero sweeteners and low calories. The Group developed different products to cater to the needs of different people, its product line expanded from jelly products with only single fruit flavor to pudding and functional jelly products, offering a variety of options for consumers. While strengthening research and development and being committed to improving the contents of its products, the Group continued to work with different kinds of domestic and overseas enterprises to produce innovative jelly products.

For crackers and chips, the Group targets to become a leading seafood crackers and chips brand in the PRC. Through a series of upgrades in terms of packaging, product and flavor to improve its brand influence and market share, the Group upgraded its product quality by improving tastes and expanding flavors to cater to the preferences of young consumers and regional features.

For seasoning products, the Group has set a clear objective of becoming a "small- and medium-sized restaurant solution provider". It increased the proportion of products with mid-to-high gross profit in the product structure, and strived to strengthen its brand influence and market share through a series of upgrading such as package upgrading and continued to enhance the investment in and establishment of food and beverage channels. While consolidating its business with small restaurants, it also actively expanded its market share among chain restaurant brands.

Channel Expansion

Along with product upgrades, the Group will strive to maintain its existing market share and distributors network. The Group will further expand and upgrade its distribution network through sales to snack food branded stores, convenience stores, campus snack stores, gas stations and other channels. The Group will also increase promotion of its e-commerce and export sales channels to increase sales. The Group will actively work with new retailers including Alibaba and JD and gradually increase the percentage of new retail channel in the Company's channels.

With the online purchase penetration rate further increased, the Group also continued to strengthen its expansion of internet marketing. In 2019, the Group restructured its e-commerce division in Shanghai and it continued to develop products catering to the characteristics of the e-commerce channel to differentiate from its offline products and increase unit price per customer. The Group will continue to focus on developing its business in e-commerce platforms on Tmall and JD in the year.

Production Facilities Improvement

The Group has clearly established a project development plan for its production facilities and equipment. During the year, the Group continued to optimise its resources through the establishment of new production base, transforming existing production base, and upgrading its equipment, so as to improve its production facilities, production process and product quality, and to enhance production capacity and efficiency that will meet the long-term development of the Group. Apart from the project in relation to the development of sesame candy and rice wine business as mentioned above, the Group mainly launched the following projects during the year:

- the Group signed an agreement with the People's Government of Xiantao City, the PRC in November 2019, regarding the disposal of related land use rights and property of the Group's existing production base in Xiantao City, the PRC, in which the Group planned to construct a new production base as replacement for its existing production base in that city;

- the Group signed a cooperative agreement with the People's Government of Sishui County, Jining City, Shandong province, the PRC in December 2019, in which the Group planned to construct a new production base in Sishui County, Jining City, Shandong province, the PRC in replacement of the Group's existing production base (as leased properties) located in Taian City, Shandong province, the PRC;

- the Group successfully introduced the world-advanced level jelly product production line from Japan, and completed the renovation and expansion of its head office's production base located in Jinjiang City, Fujian Province, the PRC, and the construction of supporting facilities for the related new production line so as to facilitate the installation of the new production equipment and to realise the Group's development and technology innovation in new jelly products; and

- the Group commenced the gradual upgrade and reconstruction project for the head office's production base, office and other supporting facilities located in Jinjiang City, Fujian Province, the PRC, so as to increase production and office efficiency.

The Group aimed to reduce the impact of increasing labor 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. The Group also upgraded the existing production lines, and established "high-speed, high-yield, low-loss rates and high automation" benchmarking production line in each production base, and cooperated with various foreign equipment enterprises for bringing in jelly and crackers and chips products production line with 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 labor, 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 strives 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 and ISO9001 certifications in respect of its production facilities, quality control and management system.

FUTURE PROSPECTS AND STRATEGIES

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including but not limited to, extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over people travelling and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. It may have a temporary impact on the Group's transportation and production cost in some regions, but not to the extent of material. As at the date of this report, the Group was not aware of any material effect on the financial results of the Group as a result of the COVID-19 outbreak. The Group will actively work utmost on epidemic prevention and control, and daily operation management to reduce the impact of the epidemic on the Group's operations and financial performance.

Looking forward to 2020, the Group will continue to pursue its corporate development strategy of capturing the opportunities of consumer upgrades through continuous product innovations. The Group remains customer-centric and will continue to enhance its product portfolio and promote product innovation and upgrades. The Group will carry out construction and renovation of production bases and equipment upgrades to improve its production facilities, production processes and product quality. The products of the Group will be developed in a direction towards more natural, healthy and secure to meet different consumer demands and enhance their competitiveness.

The Group has completed upgrading the enterprise resource planning (ERP) system to the information management system developed by SAP during the year. The Group will continue to invest resources to develop an information management system that meets the Company's requirements for sustainable development, in leading the Group's operations management in a scientific, networked and intelligent way and to improve the Group's operating efficiency and core competitiveness.

Although the market is full of challenges, the Group will continue to adhere to its diversified product strategies. The Group will focus on the enhancement of product quality, optimisation of product portfolio and strengthen the market position of its key products. The Group will also further develop its distribution channels, strengthen its traditional distribution network and develop other new market access such as e-commerce and restaurants channel in order to increase market penetration. The Group will also improve its production facilities, production process and product quality and enhance production capacity and efficiency. The Group will refine its internal management team and process and recruit senior personnel in the industry to raise its standard in corporate management and technology improvement, provide consumers with safe and assured products, and capture opportunities brought by consumer upgrade in the PRC, thereby creating greater value for its shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 31 December 2019. As at 31 December 2019, the Group had cash and bank balances of RMB732.0 million (2018: RMB566.1 million). Cash and bank balances were mainly denominated in Hong Kong dollars ("**HKD**"), United States dollars ("**USD**") and Chinese Renminbi ("**RMB**"). The Group's working capital or net current assets were RMB661.5 million (2018: RMB520.9 million). The current ratio, represented by current assets divided by current liabilities, was 4.1 (2018: 3.9).

As at 31 December 2019, the Group's total equity was RMB1,146.8 million (2018: RMB868.3 million), representing an increase of 32.1%.

The Group did not have any borrowings as at 31 December 2019 (2018: Nil).

COMMITMENTS AND CONTINGENCIES

As at 31 December 2019, the Group had total capital commitments (contracted but not provided for) of RMB88.2 million (2018: RMB5.3 million).

As at 31 December 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases and non-cancellable contracts of RMB2.9 million (2018: RMB3.8 million).

The Group had no material contingent liabilities as at 31 December 2019 and 31 December 2018.

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

Save for those disclosed in this report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year.

CHARGE ON ASSETS

There was no charge on the Group's assets during the year.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2019, the Group had approximately 2,200 (2018: 2,500) employees. For the year ended 31 December 2019, total employee benefit expenses, including directors' emoluments, was approximately RMB140.9 million (2018: RMB170.6 million). The decrease in total employee benefit expenses was mainly attributable to the decrease in number of employees during the year.

The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruit employees based on a number of factors, including their educational background, work experience and vacancies within the Group. The Group determines employees' compensation based on their qualifications, work experience, position and performance. In addition to salaries, the Group provides a comprehensive range of staff benefits to its employees, including performance or contribution-based bonuses and allowances for meals and free dormitories. Besides, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

The Group also committed to continuing education and development of its employees, and the Group provides various education and training programs both internally and externally to cultivate its employees in improving their skills and developing their potential.

FOREIGN EXCHANGE RISK

The Group operates its businesses primarily in the PRC and its functional currency is RMB. Foreign exchange risk arises mainly from future commercial transactions of sales and purchases with overseas customers and suppliers by the Group and recognised assets or liabilities, such as cash and cash equivalent, and trade and other receivables and payables of its subsidiaries, which are denominated in HKD, USD and other currencies.

During the year, RMB devalued against HKD and USD. The Group recorded net foreign exchange gain in relation to its cash and cash equivalent in HKD and USD totaling RMB13.1 million (2018: net foreign exchange gain totaling RMB24.5 million). Save as disclosed above, the Group is exposed to minimal foreign exchange risk exposure as the Group focused on its sales and purchase within the PRC market.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

DIRECTORS

Executive Directors

Mr. Hui Ching Lau, aged 40, was a non-executive director of the Company since 22 March 2016 until his re-designation as an executive director on 16 May 2017. He is the Chairman of the board of directors of the Company and the chairman and member of nomination committee of the Company since 12 April 2017. He is also a director of most of the subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice on corporate development and investment of the Group. He has accumulated over 15 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in April 2003. He is also the managing director of Lianjie Investments Group Limited. He has about 19 years of experience in investment management and is responsible for the daily operation and management of Lianjie Investments Group Limited. Mr. Hui is also a director of AGORA Hospitality Group Co., Ltd. (a company whose shares are listed on the Tokyo Stock Exchange, stock code: 9704) since 29 March 2018.

Since the resignation of the Chief Executive Officer of the Group in August 2019, Mr. Hui oversees the responsibilities of the Chief Executive Officer with the support of the senior management team of the Group.

Mr. Hui was a former non-executive director of China Huiyuan Juice Group Limited (a company whose shares are listed on the Main Board of the Stock Exchange, stock code: 1886). Mr. Hui was appointed as the non-executive director on 29 January 2018 and resigned with effect from 10 January 2019.

Mr. Hui graduated with a Degree of Bachelor of Arts in Accounting & Finance and Economics from the University of Kent at Canterbury in July 2001, and a Degree of Master of Science in Finance from the University of London (Imperial College of Science, Technology and Medicine) in the UK in November 2002. He also received a Degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in September 2010.

Mr. Hui is the son of Mr. Hui Lin Chit, the ex-Chairman of the board of directors and a non-executive director of the Company. He is a director of Sure Wonder Limited, a substantial shareholder within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wong Wai Leung, aged 42, is an executive director, the chief financial officer and company secretary of the Company. He is also a director of most of the subsidiaries of the Group. He is responsible for the corporate development, investment, accounting and financial, and corporate governance matters of the Group. Mr. Wong worked at Ernst & Young in audit assurance from September 2000 to July 2009. He is an independent non-executive director of MediNet Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8161), since 19 May 2016 and an independent non-executive director of Vertical International Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8375), since 24 October 2017. He is also a director in a private group ultimately owned by Mr. Hui Ching Lau, which manages investments and trusts for Mr. Hui Ching Lau's family.

Mr. Wong received a Degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2000. He has also been a member of the Hong Kong Institute of Certified Public Accountants since July 2004, and a fellow of the Association of Chartered Certified Accountants since September 2010.

Non-Executive Directors

Mr. Hui Lin Chit (formerly known as Hui Chi Lin), aged 66, is a non-executive director of the Company. He was the Chairman of the Company until 12 April 2017. He is responsible for providing leadership, guidance and strategic advice to the Group. He has accumulated over 11 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in November 2008. Mr. Hui is also an executive director, deputy chairman, chief executive officer and authorised representative of Hengan International Group Company Limited (a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 1044) ("**Hengan**" and, together with its subsidiaries, "**Hengan Group**"), as well as founding shareholder of Hengan Group and a director of a number of its subsidiaries. Mr. Hui was appointed as executive director of Wang Zeng Berhad on 15 June 2017, a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203. He was redesignated as non-independent non-executive chairman of Wang Zeng Berhad on 25 September 2017.

Mr. Hui is the chairman of United Nations Maritime-Continental Silk Road Cities Alliance and the Jinjiang City Charity Federation.

During the period from 1998 to 2012, Mr. Hui was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**"). During the period from 1997 to 2011, he was also a member of the Executive Committee (at the Eighth CPPCC) and Standing Committee (at the Ninth CPPCC), and deputy chairman (at the Tenth CPPCC) of the All-China Federation of Industry and Commerce. Mr. Hui was also the deputy chairman of the Ninth, Tenth and Eleventh Political Consultative Conference in Quanzhou City and the chairman of the Tenth, Eleventh, Twelfth and Thirteenth Quanzhou Federation of Industry and Commerce. Mr. Hui was accredited with the title of Senior Economist in the People's Republic of China by the Department of Human Resources of Fujian Province in May 1996.

Mr. Hui is the father of Mr. Hui Ching Lau, the Chairman and an executive director of the Company.

Mr. Sze Man Bok, aged 70, is a non-executive director of the Company and a director of certain subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice to the Group. He has accumulated over 11 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in November 2008. Mr. Sze is an executive director, chairman and founding shareholder of Hengan Group. Mr. Sze was appointed as executive director of Wang Zeng Berhad on 15 June 2017, a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203. He was redesignated as non-independent non-executive director of Wang Zeng Berhad on 25 September 2017.

Mr. Wu Huolu, aged 56, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 29 years of experience in food and snacks production, operation and management. He had also acted as a director of Luyan (Fujian) Pharma Co., Ltd, a company which engaged in distribution of medicine and listed on the Shenzhen Stock Exchange (Stock code: 2788) since January 2011 to October 2017. Mr. Wu Huolu is also a director of Fujian Shuncheng Flour Industry Development Co., Ltd. ("**Shuncheng Flour**"). Please refer to the section headed "Continuing Connected Transactions" in the Report of the Directors for further details of the transactions between our Group and Shuncheng Flour.

Mr. Wu is the brother-in-law of Mr. Wu Yinhang's brother. Mr. Wu Yinhang is a non-executive director of the Company. Mr. Wu Huolu is a director of Easy Success International Investment Limited, a substantial shareholder within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wu Sichuan, aged 55, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 29 years of experience in food and snacks production, operation and management.

Mr. Wu Yinhang, aged 52, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 29 years of experience in food and snacks production, operation and management. He is also an executive director of Shuncheng Flour. Please refer to the section headed "Continuing Connected Transactions" in the Report of the Directors for further details of the transactions between our Group and Shuncheng Flour.

Mr. Wu is the brother of Mr. Wu Huolu's brother-in-law. Mr. Wu Huolu is a non-executive director of the Company.

Independent Non-executive Directors

Mr. Cai Meng, aged 52, was appointed as an independent non-executive director of the Company on 17 June 2016. He is a member of audit, remuneration and nomination committees of the Company. Mr. Cai has more than 16 years of experience in business management consulting services, and has been the chairman of Beijing Hejun Hengcheng Business Management Consultant Corp., Ltd. (previously known as Hejun Consulting Company Limited) since January 2015. The company was listed on the New Third Board of the China Stock Markets (Stock number: 839279) since September 2016. Mr. Cai was a research assistant (lecturer) at Beijing University of Aeronautics and Astronautics (now known as Beihang University) from July 1990 to September 1994. He acted as a deputy general manager of various departments of China Asset Management Co., Limited during the period from May 1998 to June 2002. Mr. Cai was a partner of Beijing Hezhong Huifu Consulting Co. Ltd., a securities investment consulting firm, from November 2002 to March 2008. From March 2008 to March 2014, he was the general manager and project manager of H&J Consulting Co., Ltd (now known as Beijing Hejun Digital Learning Company Limited, a company providing management training services), and was chairman of the supervisory board of the same from August 2014 to December 2015.

Mr. Cai obtained a Degree of Bachelor of Laws in July 1990 from Beijing University of Aeronautics and Astronautics, and then a Certificate of Graduation for a post-graduate degree in education from the same university in July 1997. He was then awarded the Certified Management Consultant certification by the International Council of Management Consulting Institutes in June 2006.

Mr. Chan Yiu Fai Youdey, aged 50, was appointed as an independent non-executive director of the Company on 17 June 2016. He is a member of audit, remuneration and nomination committees of the Company. Mr. Chan has 26 years of experience in the legal industry. Mr. Chan has been a partner of David Y.Y. Fung & Co., solicitors since December 2004. He is also an independent non-executive director of Nan Nan Resources Enterprises Limited, a company listed on the main board of the Stock Exchange (Stock code: 1229), since March 2008.

Mr. Chan graduated from the University of Hong Kong with a Degree of Bachelor of Laws in June 1992 and a Postgraduate Certificate in Laws in June 1994. Mr. Chan received a Degree of Master of Laws from the City University of Hong Kong in November 1997 and a Degree of Master of Laws from the People's University of China in June 2001. Mr. Chan was admitted as a solicitor in Hong Kong in February 1997, and in England and Wales in July 1997. He was accredited as a general mediator by the Hong Kong International Arbitration Centre in February 2013.

Mr. Ng Swee Leng, aged 55, was appointed as an independent non-executive director of the Company on 17 June 2016. He is the chairman of audit committee and a member of remuneration and nomination committees of the Company. Mr. Ng has 30 years of financial and managerial experience. Mr. Ng was the Associate Finance Director of Procter & Gamble International Operations Pte. Limited in Singapore from August 2007 to August 2008. He then joined Kraft Foods China and acted as its Chief Financial Officer from November 2008 to June 2013 before he acted as the Chief Financial Officer of GroupM China from June 2013 until February 2016. He was responsible for, amongst others, overseeing the finance functions and corporate governance matters of the aforesaid companies before his appointment as an independent non-executive director of the Company.

Mr. Ng completed the examination of The Chartered Institute of Management Accountants ("**CIMA**") in the UK in November 1989. He has been a fellow of CIMA since September 2000. Mr. Ng was certified as a Chartered Accountant by, and became a member of, the Malaysian Institute of Accountants in June 2001, and has been a member of the Chartered Global Management Accountants in the UK and USA since May 2011.

Mr. Paul Marin Theil, aged 66, was appointed as an independent non-executive director of the Company on 17 June 2016. He is the chairman of remuneration committee and a member of audit and nomination committees of the Company. Mr. Theil has extensive experience in the finance and investment industry. Mr. Theil is the founder of Shenzhen Zhong An Credit Investment Co., Ltd and was appointed as its chairman in January 2008. Mr. Theil has been an independent director of China Industrial Bank Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock code: 601166) since October 2013. He is also an independent non-executive director of Hengan since 17 May 2019. Mr. Theil was also formerly a director of Hengan during the period from July 2000 to September 2001.

Mr. Theil graduated from Yale University with a Degree of Bachelor of Arts in June 1975 and a Degree of Master of Arts in East Asian Studies in June 1975. He also graduated with a Degree of Juris Doctor and a Degree of Master of Business Administration from Harvard Law School and Harvard Business School in November 1981 and June 1980 respectively.

SENIOR MANAGEMENT

Mr. Wu Wen Xu, aged 48, is the vice president of the Group. He is responsible for managing and overseeing overall production activities and the management of the Group's supply chain, production facilities and equipment. He joined the Group in June 1993 and he has rich experience in production and manufacturing, technological innovation and quality control.

Mr. Chen Xin Yi, aged 42, is the general manager of the Group's supply chain center and is responsible for procurement and supply chain management. He joined the Group in July 2013. Prior to that, he worked as director of operation in Yashili International Group Limited from October 2007 to December 2008, and Xiamen Huierkang Food Co., Ltd from January 2009 to July 2013. He has over 19 years of experience in production operation and supply chain management.

Mr. Chen graduated from Jimei University with a Degree of Bachelor of Foreign Economics and Financial Accounting in July 2000, and later obtained a Degree of Bachelor of Logistics Management (online education) from Tongji University in December 2008. He further obtained a Degree of MBA from Wuhan University of Technology in June 2013. Mr. Chen was certified as second level Enterprise Training Specialist (Technician) by the Ministry of Human Resources and Social Security of the People's Republic of China in October 2007, and then as a first level Logistics Specialist (Senior Technician) in November 2013.

Mr. Xin Ya Dong, aged 47, is the general manager of the quality management department of the Group. He is responsible for the quality management of the production process and operation activities of the Group. Mr. Xin joined the Group in December 2006. During his term of office, Mr. Xin has worked on precision management, safety management and improving customers' satisfaction of the Group.

Mr. Xin graduated from Hubei Institute of Engineering (now known as Hubei University of Technology) with a Diploma in Industrial Design in January 2007.

Mr. Huang Huangshan, aged 35, is the general manager of the human resource department of the Group. He is responsible for human resource management of the Group. He joined the Group in June 2017. Prior to that, he worked at Hengan Group as human resource manager. He has over 11 years of experience in human resource management. He graduated from Fujian Normal University, majoring in public service management and minoring in law, with a Degree of Bachelor of Management and a Degree of Bachelor of Law.

Mr. Zhang Xilin, aged 52, is the general manager of the Group's seasoning products division. He is responsible for the management of production and operation, marketing and administration of the seasoning products division. He joined the Group in March 2009 and has extensive experience in market planning and sales management.

Ms. Lin Tzyy Ching, aged 47, is the senior research and development engineer of the Group's product management department. She is responsible for assisting the Group in the technical work for the research and development of jelly products. She joined the Group in July 2018. Prior to that, she worked as a research and development consultant in Happyfood Food Co., Limited (華樂福食品公司). She has accumulated over 15 years of experience in food research and development. She graduated from the National Taiwan Ocean University (台灣國立基隆海洋大學), major in food science, and obtained a Degree of Master of Food Science, and received the qualification certificate of senior health manager of the People's Republic of China.

Mr. Zheng Junlong, aged 43, is the general manager of the Group's general management department. He is responsible for the legal affairs, infrastructure, administrative, public relations, internal audit and risk management of the Group. He joined the Group in June 2017. Prior to that, he worked at the legal compliance department of Hengan Group as a senior legal officer from March 1999 to March 2007, at SKSHU Paint Co., Ltd. as the legal affairs manager from March 2007 to December 2007, at Lianjie Investments Group Limited as a vice president from December 2007 to May 2017, where he was responsible for legal affairs and assisting in handling investment affairs. He has over 20 years of experience in corporate legal affairs, investment management and administration. Mr. Zheng obtained a Diploma in Law (online education) from Beijing Normal University in 2009, and obtained the Enterprise Legal Consultant Qualification Certificate of the People's Republic of China jointly issued by the Ministry of Human Resources of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Justice of the People's Republic of China in December 2003.

CORPORATE GOVERNANCE CODE

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") recognise 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 of directors (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 "**Director(s)**"), the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2019 and, where appropriate, the applicable recommended best practices of the CG Code, except for the deviation from code provision A.2.1 which is explained in the relevant paragraphs of this corporate governance report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019. To ensure Directors' dealings in the securities of the Company (the "**Securities**") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the chairman of the Board (the "**Chairman**") in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

BOARD OF DIRECTORS

The Board is responsible for the overall management of the Group, which includes leadership and control of the Company and oversees the Group's businesses, strategic decisions, internal control, risk management and performances. The management team is delegated with the authority and responsibility by the Board for the day-to-day management of the Group. The delegated functions and work tasks are periodically reviewed. Major corporate matters that are specifically delegated by the Board to the management include (1) the preparation of interim and annual reports and announcements for the Board's approval before publishing; (2) implementation of adequate internal controls and risk management procedures; and (3) compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Directors with various professional qualifications, experience and related financial management expertise have contributed to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders. Hence, the Board believes that the current Board composition satisfy the balance of expertise, skills and experience to the corporate governance requirements of the Group as well as the ongoing development and management of its business activities.

The Board comprises eleven directors, of which two are executive Directors, namely Mr. Hui Ching Lau (Chairman) and Mr. Wong Wai Leung (Chief Financial Officer and Company Secretary); five are non-executive Directors, namely Mr. Hui Lin Chit, Mr. Sze Man Bok, Mr. Wu Huolu, Mr. Wu Sichuan and Mr. Wu Yinhang; and four are independent non-executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil. The biographies of the Directors are set out in "Profile of Directors and Senior Management" on pages 14 to 18 of this annual report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's interim and annual results. During the year, four regular Board meetings were held and the attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. All Directors are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Pursuant to the articles of association of the Company, all Directors appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Save for the family relationships disclosed in the Profile of Directors and Senior Management set out on pages 14 to 18 of this annual report, the Directors do not have material financial, business or other relationships with one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2019, Mr. Zhu Hong Bo resigned as Chief Executive Officer (the "**CEO**") of the Group with effect from 23 August 2019 due to health reason. The Company is in the process of identifying a suitable candidate to assume the role as CEO. The responsibilities of the CEO are overseen by Mr. Hui Ching Lau, Chairman and executive director of the Company, with the support of the senior management team of the Group.

Under the code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the roles of the Chairman and the CEO should be separate and should not be performed by the same individual.

In view of Mr. Hui Ching Lau is the Chairman and executive director of the Company and he has accumulated over 15 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in April 2003, the Board believes that it is in the best interest of the Group to have Mr. Hui Ching Lau to oversee the responsibilities of the CEO with the support of the senior management team of the Group whilst the Company is still in the process of identifying a suitable candidate to assume the role as CEO. Therefore, the Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

All Directors, including Non-Executive Directors, who are appointed to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the next following general meeting after his or her appointment and shall then be eligible for re-election.

Moreover, all Directors (including Independent Non-Executive Directors) of the Company are appointed for a term of three years expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director, or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the articles of association of the Company and/or any applicable laws and regulations. All Directors, being eligible, offer for re-election at the annual general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all four Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules.

The Board, through the Nomination Committee, has reviewed the independence of all Independent Non-Executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired up to the date of this report.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointing a new Director, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire relevant knowledge and skills. All Directors had provided to the Company records of training received during the year, including attended seminars, briefing or workshop and reading materials in respect of regulatory updates about the directors' duties, the Group's business and relevant industry, etc.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, experience, independence and knowledge. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

As at the date of this report, the Board comprises eleven Directors, amongst them, four are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, professional experience, skills and knowledge.

Having reviewed the board diversity policy and the Board's composition, the Nomination Committee considered that the requirements of the board diversity policy had been met and no measurable objective had been set to implement the board diversity policy.

AUDIT COMMITTEE

An Audit Committee has been established by the Board with specific written terms of reference and all members of the Audit Committee are Independent Non-Executive Directors. Pursuant to the Audit Committee's terms of reference, the Audit Committee is authorised to commit Company funds in order to obtain advice from outside legal counsel, accountants, investigatory services or other expert advice. Details of the authority and responsibilities of the Audit Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises four Independent Non-Executive Directors, namely Mr. Ng Swee Leng, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey and Mr. Paul Marin Theil. Mr. Ng Swee Leng is the chairman of the Audit Committee.

During the year ended 31 December 2019, the Audit Committee held two meetings to review the interim and the annual results before their submission to the Board and monitored the integrity of such financial statements; and review the internal control and risk management systems with auditor. The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this report.

The Audit Committee has also discussed and reviewed the key audit matters determined by the external auditor under the new and revised auditor reporting standards under Hong Kong Standards on Auditing for the year ended 31 December 2019.

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Board with specific written terms of reference and all members of the Remuneration Committee are Independent Non-Executive Directors. Details of the authority and responsibilities of the Remuneration Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange. The remuneration committee has adopted model set out in code provision B.1.2(c)(ii) of the CG Code.

The Remuneration Committee comprises four Independent Non-Executive Directors, namely Mr. Paul Marin Theil, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey and Mr. Ng Swee Leng. Mr. Paul Marin Theil is the chairman of the Remuneration Committee.

During the year ended 31 December 2019, the Remuneration Committee held three meetings to make recommendation of the remuneration packages and performance bonuses for the Directors and senior management of the Company and related options granting matters under the Share Option Scheme to the Board for approval. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this report.

Details of the amount of Directors' emoluments for the year ended 31 December 2019 are set out in note 35 to the financial statements.

For the year ended 31 December 2019, the remuneration of the members of the senior management who are not directors are within the following bands:

Remuneration band	Number of persons
Within HKD1,000,000	7

NOMINATION COMMITTEE

A Nomination Committee has been established by the Board with specific terms of reference. The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the reappointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and responsibilities of the Nomination Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises four Independent Non-Executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil, and one Executive Director, namely Mr. Hui Ching Lau. Mr. Hui Ching Lau is the chairman of the Nomination Committee.

The Nomination Committee has proposed a new nomination policy, which included the selection criteria and nomination procedures, for nomination of new Directors and the nomination policy was fully adopted by the Board with effect from 1 January 2019. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Nomination Committee has also reviewed the structure, size and composition of the Board and concluded that members of the Board has possessed the expertise and independence to carry out the Board's functions and responsibilities during the year ended 31 December 2019.

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee as well as annual general meeting during the year ended 31 December 2019 are set out below:

	Attendance/Number of Meetings Held during the term of office				
Name of Directors	Annual General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Directors					
Mr. Hui Ching Lau	1/1	4/4	—	—	2/2
Mr. Wong Wai Leung	1/1	4/4	2/2*	3/3*	2/2*
Mr. Zhu Hong Bo#	1/1	3/3	—	—	—
Non-Executive Directors					
Mr. Hui Lin Chit	0/1	3/4	—	—	—
Mr. Sze Man Bok	0/1	4/4	—	—	—
Mr. Wu Huolu	1/1	4/4	—	—	—
Mr. Wu Sichuan	0/1	4/4	—	—	—
Mr. Wu Yinhang	1/1	4/4	—	—	—
Independent Non-Executive Directors					
Mr. Cai Meng	1/1	4/4	2/2	3/3	2/2
Mr. Chan Yiu Fai Youdey	1/1	4/4	2/2	3/3	2/2
Mr. Ng Swee Leng	1/1	4/4	2/2	3/3	2/2
Mr. Paul Marin Theil	0/1	4/4	2/2	3/3	2/2

* Being the secretary of the meetings

\# Resigned as Chief Executive Officer and Executive Director with effect from 23 August 2019 and 14 October 2019, respectively

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2019 which gives a true and fair view of the state of affairs of the Group as at 31 December 2019, and of the results and cash flows for year then ended. In preparing the financial statements for the year ended 31 December 2019, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

The Group endeavours to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The interim and annual results of the Company are announced in a timely manner within the limit of two months and three months, respectively, after the end of the relevant periods in accordance with the Listing Rules.

The Directors have acknowledged their responsibility for preparing all information and representation contained in the financial statements of the Company for the year ended 31 December 2019. The statement of reporting responsibilities of auditor is set out in the independent auditor's report.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid/payable to the Company's external auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fee paid/payable** RMB'000
Audit of financial statements	1,800
Other non-audit services	216
Total	2,016

The Company considers that the provision of non-audit services will not impair the objectivity of the auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the design and implementation of the systems of internal controls which covers financial reporting, operations, compliance and risk management of the Company, as well as continuous monitoring the effectiveness of such systems. The Board has delegated such responsibility to the management of the Company. The management, under the supervision of the Board, has established an on-going process for identifying, evaluating and managing significant risks faced by the Group.

The Audit Committee reviews the risk management and internal control systems that are significant to the Group on an on-going basis. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting function, as well as their training programmes and budgets.

During the year, the Company's internal audit department reviewed its internal control procedures and made recommendations to the Board any improvements that can be made to the existing internal control procedures. The internal control and accounting system of the Group have been in place and functioning effectively for the year under review.

The Board is satisfied that the risk management and internal control systems in place covering all material controls including financial, operational and compliance controls for the year under review and up to the date of issuance of the annual report is reasonably effective and adequate.

Risk Management Framework

1. Each business unit is responsible for identifying, assessing and managing risks within its business, ensuring that appropriate internal controls for effective risk management are implemented - principal risks are identified and assessed in the yearly business planning process with action plans to manage those risks;

2. The management is responsible for overseeing the risk management and internal control activities of the Group - regular meetings with each business unit to ensure principals risk are properly managed, and new or changing risks are identified; and

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control - review of the annual internal audit report and consideration of the Audit Committee's recommendation.

The risk management framework, coupled with our internal control, ensures that the risks associated with our different business units are effectively controlled in line with the Group's risk appetite.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With these guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

COMPANY SECRETARY

Mr. Wong Wai Leung has been the Company Secretary of the Company since March 2016. He is a full time employee of the Company and has adequate working knowledge on the Company to discharge his duty as the Company Secretary. Mr. Wong reports to the Chairman of the Company and is responsible for advising the Board on corporate governance matters. For the year under review, Mr. Wong has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to the Company's articles of association and the Companies Law Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"), registered shareholders of the Company (the "**Shareholders**") holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**EGM Requisitionists**") can deposit a written request to convene an EGM at the registered office of the Company (the "**Registered Office**"), which is presently situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The EGM Requisitionists must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Share Registrars will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of the outcome and a EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within a further twenty-one (21) days from the date of the original EGM Requisitionists' request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

There are no provisions in the Company's articles of association or the Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceeding paragraph. Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholders' meetings to the Board in writing to the Hong Kong office of the Company whose contact details are as follows or directly by raising questions at the general meeting of the Company:—

Suite 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong

Shareholders' enquires

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or call its customer service hotline at (852) 2980 1333.

Shareholders may also make enquiries to the Board at the general meetings of the Company.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision of the CG Code that has become effective from 1 January 2019, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to Shareholders.

Declaration, recommendation and payment of dividends of the Company is subject to the approval of the Board, depending on the results of operation, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant from time to time. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Board. The Company does not have any predetermined dividend payout ratio.

INVESTOR RELATIONS

The public are welcomed to give their comments and make enquiries through the Company's website and by means of emails to the investor relations department (email address: ir@fjqinqin.com.hk). The management always provides prompt responses to any such enquiries. During the year ended 31 December 2019, there were no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the Company's website.

A. ABOUT THE REPORT

Adhering to the corporate mission of "To be a people-oriented company that creates happiness and moments of optimism" and the corporate vision of "To become the most innovative food corporation in China through self-enhancement and to create a better life for all", Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") strive to build a harmonious enterprise. The Group has created a business model for sustainable development with its vigorous promotion on energy-saving and emission-reduction. To satisfy customers' needs, the Group strives to produce high-quality products and service. The Group also shoulders its social responsibility by taking on practical actions, with a vision to pursue a joint development with its staffs, customers and investors, as well as the society.

The Company has prepared its 2019 Environmental, Social and Governance Report (the "**Report**") in accordance with the requirements of Appendix 27 "Environmental, Social and Governance Reporting Guide" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report, elaborating on the environment and society aspects, describes the Company's concept and practice of sustainable development and social responsibility.

Since over 90% of the Group's revenue and businesses occur in mainland China, thus the Report covers the Group's main business information on 7 production companies that operate three major business segments, including jelly, crackers and chips and seasoning products, in China and discloses the Environmental, Social and Governance ("**ESG**") performance for the period from 1 January 2019 to 31 December 2019.

The information disclosed in the Report is based on important, quantitative, balanced and consistent reporting principles, with the provision of explanations for those disclosure rules which are not applicable to the Group, and thereby meets the disclosure requirement of "comply or explain". Apart from the environmental information which is disclosed with a focus on the 7 production companies of the Group, all the other information in the Report will be disclosed at the Group's level.

B. ESG MANAGEMENT

1. ESG Strategies

To boost corporate responsibility competitiveness, the capacity itself has to be supported by a comprehensive ESG management system. The Group continues to consolidate a seamless mix and blend of ESG responsibility motif and operation strategies that will enable us to refine the ESG responsibility management system. The Board of Directors of the Company (the "**Board of Directors**") has always approved the Group's commitment to its corporate social responsibility undertakings and assumed full responsibility for the Group's ESG strategies and reporting. The Board is responsible for assessing and defining the Group's ESG risks and ensures that the Group has formulated appropriate and effective ESG risk management and internal control systems. The Board of Directors reviews the Group's ESG performance annually and approves the Group's annual ESG report.

Our Group's management team is responsible for implementing ESG risk management and internal control systems, as well as reporting to the Board of Directors on ESG-related risks and opportunities, and to provide confirmation regarding the effectiveness of the ESG system.

The Group has established an ESG working group that draws its members from various key departments. The ESG working group is responsible for promoting and undertaking projects and daily management duties, along with setting up a comprehensive system for risk management and internal control, formulating a sophisticated data and information collection workflow applicable for ESG reporting system, collecting data and information related to ESG reporting, plus drafting, exchanging ideas and information, and training related to ESG reporting procedure.

2. Stakeholder Communication

The main stakeholders related to our Group include shareholders and investors, governments and regulatory authorities, distributors and consumers, suppliers and contractors, employees, communities and the environment. The Group is concerned with mutual communication with stakeholders, and, thereby, has established effective and diverse communication channels to collection information on the expectations and concerns among stakeholders, which help the Group improve and refine its comprehensive management capabilities and levels on a continuous term. With such undertakings, the Group hope to safeguard the needs of stakeholders. The Group has identified the following distinctive stakeholders:

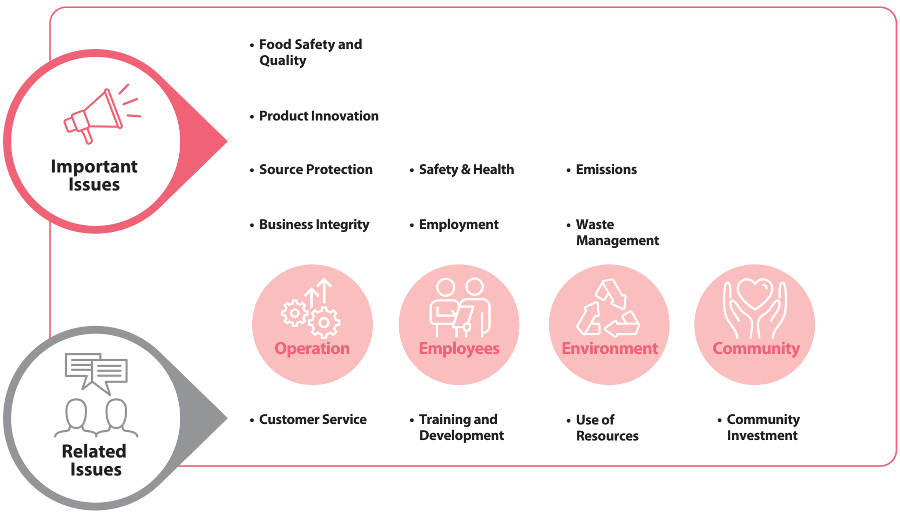
Stakeholder	Shared objectives	Communication and feedback channels	Frequency of communication
Shareholders and Investors	Steady growth in return on investments Asset preservation and appreciation Explore new markets and opportunities Prevent operation risk Safeguard information rights	— Annual General Meeting — Annual Report and Announcement — Investor Meetings — Investor Relations Events and Websites	Multiple per year
Government and Regulatory Authorities	Food safety Operation compliance with law Pay tax in accordance with law	— Monitoring and Inspection — Tax Payment — Policy Consultation, Information Exchange in Meeting and Reporting	Multiple per year
Distributors and Consumers	Produce diversified and delicious premium products Provide sustainable innovative products Create win-win situation Offer refined customer service and communication channels	— Corporate Public Accounts at WeChat and Weibo — Corporate Website — Service Hotline — Product Order Fairs	Daily
Suppliers and Contractors	Advocate openness and fairness Promote long-term cooperation and development	— Evaluation on Suppliers — On-site Inspection — Daily Communication	Multiple per year

Stakeholder	Shared objectives	Communication and feedback channels	Frequency of communication
Employees	Protect employers' benefits and rights Promote occupation health and safety Provide equal employment opportunities Provide promotion and development Work-life balance	— Labour Union — Management Mailbox — Staff Training — Staff Activities — Staff Interview	Irregular
Environment	Preservation of ecological environment Green and low-carbon development	— Government and Regulatory Authorities Inspection — Third Party Inspection Bodies Inspection	Irregular
Community	Facilitate employment Enhance local economic development	— Provide Employment Opportunities — Promote Local Economic Development — Improve Infrastructure at Locality — Poverty Alleviation — Community Charity — Voluntary Services	Multiple per year

3. Materiality Assessment

On the basis of stakeholders communication, the Group has identified and conducted materiality assessment on material issues and related topics according to the "ESG Reporting Guide", important issues of the Company, industry features and social responsibility standards. The Group discloses and responds to relevant subjects in the Report in degrees of detail varying with the materiality result of different subjects, which is shown below:

Materiality Assessment Results



C. PRODUCT RESPONSIBILITY

The Group has been in strict compliance with a series of laws and regulations (including the "Food Safety Law of the People's Republic of China", the "Production Safety Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests") related to areas such as production and operation, food packaging and food safety. The Group ensures the strict compliance with the laws and regulations in sections including food production and processing, product packaging and product transportation, thereby guarantees product quality.

1. Product Innovation

The Group is committed to providing the consumer-centred services, that it will follow closely the current tidal trend in consumption upgrade and continuously apply innovative measures to improve product contents and product portfolio. Besides, the Company will adopt an innovative approach, to provide consumers with attentive and well-thought services, along with improving the products' overall accessibility. Based on the product management center and product research and development (R&D) team, the Group has continuously invested in the research and development team and scale-up R&D efforts to research on new products, so as to meet the diverse needs of consumers. The Group actively participates in various technology sharing endeavours, that it has joined hands with the Sports Medicine Research Institute of the General Administration of Sport of China, among other research centres and professional institutes, including the Food Institute of Fujian Normal University, Fujian Agriculture and Forestry University, and Jiangnan University, among others. The Group also introduced the world-advanced level jelly production line from Japan and other global advanced production lines, so as to promote market competitiveness of new products with the application of top-notch techniques and technology. This year, the innovative products launched by the Group covered several functional purposes including low salt, low sugar, meal replacement, high nutrition, and weight management. With such initiatives, the Group hope to promote healthy and nutritious eating habits.

2. Quality Assurance

(1) Quality Control

The Group's quality management department is responsible for the development, management and supervision of the quality monitoring system and food safety management policy of the Group. The quality control teams continuously monitor the raw materials, ensuring that the quality and safety meet the specifications and quality requirements of the Group. The Group also adopts strict quality control measures for the production process to ensure consistent product quality and carries out inspection and tests in the whole production process. All products must be inspected at all stages of the production process, including later production inspection and final quality control before it is delivered for sale. The Group also works with certified third-party inspection companies to carry out product quality and food safety testing for the products of the Group. Furthermore, the Group continues to improve its internal management procedures by abiding to the latest developments in the relevant food safety laws and regulations.

(2) Certification and Establishment of Food Safety System

The Group has been in strict compliance with the requirements of relevant laws and regulations, including the "Food Safety Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests". The Group implements national food safety principles, as well as carries out quality control in several areas, such as the creation of an outstanding quality control team, establishment of a professional quality control system, improvement of the Group's standard quality control system and the promotion of building of safety culture.

All of the Group's production facilities and production lines are designed in compliance with the PRC's national quality standards. International Organisation for Standardization (ISO9001 and ISO22000), HALAL, SC, KOSHER and HACCP certification have also been obtained for certain production facilities. Each year, the Group engages third party external audit certified companies to conduct external audit for the Group's corporate quality control system certification.

At the same time, the Group actively participated in various events that promote food safety, for example: Safety Month, the themed 3.15 food safety activities, quality product evaluation and rating, and arranged study sessions to follow the guiding directives of "Opinions of the Central Committee of the CPC and the State Council on Deepening Reform and Strengthening Food Safety Work ", among other initiatives. Apart from nurturing the food safety awareness among its overall staff members, our Group also aim to spread the message to the rest of the community.

3. Source Protection

For the production of food and snack products, the Group implements strict procedures for selecting suppliers, in order to ensure the quality of raw materials. The Group has developed the "Procurement Management System of Qinqin" to conduct assessment, selection, review and appraisal of its suppliers. Qualified suppliers, which have been confirmed by the review and appraisal results, shall have the proven ability to meet the Company's requirements for the quality of materials to be procured. In addition, management and control are conducted over the procurement process to ensure that the materials procured meet the requirements for production technologies and product quality. Apart from the financial status, the Group shall consider the suppliers' environmental, social and ethical morals while selecting suppliers or evaluating supplier relationships. Such investigations and assessments shall cover the basic situation, qualification certificate, technical competitiveness, production capacity, quality assurance system, after-sales service capacity and food safety control of the suppliers. The Group requires suppliers to possess business licenses and related food production licenses, to comply with laws and regulations, and to sign the letter of undertakings in favour of the Group in accordance with the supply contracts.

4. Customer Service

The Group strictly complies with the requirements of the "Food Safety Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests", and continues to raise the service standard so as to satisfy customers' needs.

(1) Product Information

The Group has formulated the "Management Procedures for Design and Modification of Packaging and Samples Printing and the Label Review Management Rules" for standardising the product label review, which strengthens the label management and enhances the label compliance. The Group has established a cross-department label checking team, with members from the product management department, risk management department and quality management department, to review contents of labels, including product brand, advertising slogan, trademark, product ingredients and related food safety information, in accordance with the "Advertising Law of the People's Republic of China", the "Food Safety Law of the People's Republic of China", the "National Standard for Food Safety - General Code for Pre-packaged Food Labelling", the "National Standard for Food Safety - General Principles for Nutrition Labelling of Pre-packaged Food", as well as the relevant laws and regulations and food safety standards. The commencement of any packaging materials printing process is subject to the duly pass of the review assessment on label contents (or subsequent to the due rectification of any label error and re-assessment approval), to ensure product label compliance.

The Group's product packaging, promotion materials, website, advertising video, among others, can only be launched into or released into the markets after the relevant approval from the group's legal department on intellectual property rights is obtained to ensure the legal compliance of the Group's products and marketing practices.

(2) Customer Complaints

The Group values every customer's complaint. The Group adopts an internal policy which promotes real-time response to product complaints. The Group has a dedicated customer service team and a customer service hotline to ensure prompt response to customers and consumers. Customer complaints are handled by the customer service staff of the sales management team, and the relevant departments in the Group's headquarter will be notified of in real-time to take remedial measures and to adopt appropriate preventive measure so as to avoid recurrence in the future. The Group has strictly complied with the laws and regulations such as "Administrative Measures for Food Recalls". It has established product recall procedures and set up a product recall team, in order to investigate and perform quality and safety checks for potential recall products. Once the Group is informed of any recalled product, the Group shall immediately establish a recall-product investigation committee, aiming to identify the batches of products to be recalled and promptly notify the relevant parties.

(3) Intellectual Property Protection

The Group greatly concerns with the protection and management of intellectual property rights, and strictly abides by laws and regulations, including the "Trademark Law of the People's Republic of China", the "Copyright Law of the People's Republic of China", and the "Patent Law of the People's Republic of China", among other laws and regulations.

As of 31 December 2019, the Group has secured 424 trademarks, 81 patent rights, and 282 copyright registrations in mainland China. The Group's legal department is responsible for coordinating the daily intellectual property management within the Group. As such, the department carefully monitors the trademarks that are going through the preliminary examination in the Trademark Office, screens and follows up on the expiry of right of use of trademarks, performs checks for patents due for annual fee payments, and arranges for timely renewal and payment, so as to ensure continuous validity and functionality of the intellectual property rights applied by the Group. The Group engages professional lawyers to train and educate relevant internal staff on basic legal knowledge that includes intellectual property rights, product labelling, promotional advertising, among others, to increase their awareness to respect intellectual property rights, and to enhance the Group's overall compliance with intellectual property rights.

(4) Privacy protection

The Group attaches great importance to consumer information and privacy and strictly complies with the requirements of relevant laws and regulations including the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests". The Group properly handles and keeps strict confidentiality of consumers' personal information collected through sales channels. The "Personnel Management System of Qinqin" specifies that no employee shall disclose business information, production formula, technical data, documents and other trade secrets of the Company. For any employees whose deliberate disclosure of technical and business secrets of the Group which caused significant economic losses to the Group, their labour contracts with the Group will be terminated.

D. CARING FOR EMPLOYEES

The Group is convinced that the establishment of good labor relations is one of the keys to business success. In order to enhance the well-being of employees, the Group is committed to providing competitive compensations and benefits and sound training programs to motivate our staff to be more enthusiastic, proactive and innovative, creating a fair and extensive room for staff development, achieving mutual growth of both employees and the Company. In addition, the Group has adopted a number of programs to improve the physical and mental health of employees and organised a variety of activities to increase the sense of belonging of employees. The Group has also created a harmonious working environment as well as a safe and comfortable workplace in order to build a business platform for each and every staff to grow with the Group.

1. Employment

In accordance with the requirements under the laws and regulations as stated in the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China", the Group complies with and constantly optimises its personnel management system, establishes an effective employee protection mechanism to protect the legitimate rights and interests of employees and proactively strive for harmonious labour relations. The Group has formulated the "Personnel Management System of Qinqin". The Group hires employees with different nationalities, genders, ages and religious beliefs, and is always upholding the principles of fairness, impartiality and openness in service appointment. Thus, all of the Group's employees are entitled to equal opportunities and equivalent treatments. In accordance with the "Remuneration Management System of Qinqin", through the establishment of a remuneration management system that integrates position, performance and competence by the Group, the employees are encouraged to learn on their own initiative and to work hard, thereby enhancing their skills and overall quality.

(1) Fair Employment

The salary provided by the Group's to its staff members is not less than that stipulated by the local minimum wage law, while the overall salary has considered other attributes, including duties and responsibilities, capabilities, knowledge, and experience of the incumbent, and the corresponding standard pay scale for the specific post in the hierarchy ranking, that conforms with the appropriate pay range. Also, in assessing the overall salary, the Group will calibrate against the internal pay scale and performance of the respective incumbent, so that the salary package will represent a fair and justified reward to the staff that corresponds to his/her value returns to the Company. Besides salaries, the Group provides employees with various employees' benefits, including bonuses for performance, contribution, and other allowances such as high-temperature allowances (for working outdoor at high temperature), birthday cash gifts, wedding cash gifts, holiday benefits, reimbursement to cover travel expenses for visiting relatives for staff of management level, staff dormitories, and allowance for housing rentals outside working venues. In addition, pursuant to the terms of the share option scheme adopted by the Company, the Group can grant share options to eligible staff members.

In compliance with the relevant requirements under the "Labour Contract Law of the People's Republic of China", the Group will not dismiss employees without reasonable causes. The labour contracts contain provisions setting out the rights and obligations of the parties to protect the lawful rights and interests of workers and to build and develop harmonious and stable labour relations.

The Group upholds the principles of openness and fairness for recruitment in accordance with the relevant regulations. Various types of discrimination are prohibited. The recruitment process is solely based on the assessment of individual capabilities of candidates, regardless of race, colour, gender, age and religious beliefs. All employees and job applicants are entitled to equal opportunities and fair treatments. Such diversification in service appointment helps to enhance the strengths of the Group. It also attracts different talents with various skills. The Group treats every employee's contribution fairly.

(2) *Working Hours and Holidays*

The Group's working hour policies for its employees have been in strict compliance with the requirements under the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China", which ensure sufficient rest time and appropriate work-life balance for employees. On the New Year's Day, Spring Festival, Ching Ming Festival, International Labour Day, Dragon Boat Festival, Mid-Autumn Festival, National Day and other statutory holidays provided under the relevant laws and regulations, workers are allowed to take leave, aiming to increase their sense of well-being.

(3) *Employee Development*

The Group highly concerns with talent development and training that it aims to nurture talents at all levels. When promotion to a specific incumbent is proposed, the Group will base on his/her performance at the current position, and consider carefully knowledge and skill requirements, as well as the relevant qualifications and experience, relevance and potential for future advancement with respect to the promoted position. Staff promotion can be carried forth through nomination by the immediate seniors within the corresponding department or through open recruitments. The Group practises the twin-promotion channels, that any internal promotion opportunities can be identified into management-stream and technical-stream, thereby, outstanding staff members are allowed the discretionary rights to pursue their distinctive career development path, based on their respective expertise, qualifications, experience, and interests, among other attributes.

(4) *Employee Guidelines*

In compliance with the requirements under the laws and regulations such as the "Labour Contract Law of the People's Republic of China", the Group prohibits child labour or forced labour. Pursuant to the "Personnel Management System of Qinqin", in the recruitment and selection of talents, those under 16 years of age must not be recruited. In addition, a restriction is set out in the human resource information system of the Group that the information on person under 16 years of age cannot be entered. As such, there has been no forced labour for the Group. The Group adheres to the equal and voluntary principle, fully understands employees' decisions and supports their development, and coordinates necessary procedures, e.g. personnel files and social security transfer for employees who voluntarily terminate their labour contracts. For employees who fail to fulfil their labour contractual obligations or fail to pass qualification assessment upon expiry of contract, the Group will terminate such labour contracts in accordance with relevant laws and regulations.

2. Development and Training

The Group implements a "people-oriented" management philosophy and is committed to building a "ever-learning enterprise" which creates a strong learning atmosphere. The overall quality of its staff service is continuously enhanced. The Group has a consistent focus on employees' personal and professional developments. Apart from expanding its business, the Group also provides training and promotion opportunities for employees who are passionate about their work. Under the "Training Management System of Qinqin", the Group has established a unique talent training system which has been implemented by the Group through coordination between various departments, leveraging external resources and internal teaching capabilities and using a variety of training methods.

The Group's training sessions cover new staff orientation training, management trainee training, management training, skills training, among others. The training sessions can be either an internal training, or external training outsourced. In 2019, the Group's new enterprise resource planning (ERP) system developed by SAP and its new human resource management system is in place. With all such new systems, the Group offered training to its staff members at all levels to enhance their knowledge on new business and management concepts. Meanwhile, the Group appointed a handful of staff members to join a one-month training program organised by a top-notched company in Japan.

3. Health and Safety

The Group is committed to providing employees with a healthy, safe and comfortable working environment. In addition to national policies and regulations, the Group has formulated systems and regulations including the "Safety Work Management Measures for the Production and Operation Department", which ensure the health and safety of employees. The Group has also established a production safety team, and it has further provided basic management work and secured production safety. The Group regularly trains employees on safety production practices, purchases suitable protective devices and tools for employees, and posts safety warnings and signs at workplaces, with the aim to constantly reminding employees to be cautious of hidden dangers. Every year, the Group arranges medical examinations for employees in order to protect the health of each and every employee.

(1) Production Safety

The Group enhances the safety and precaution awareness and self-protection abilities of all staff through safety training, regularly distributes various labor-protection supplies according to the job needs of each post, as well as supervises and educates them on proper wearing and use of such supplies. The Group identifies responsible personnel for production safety in departments, implements safety education, training and publicity, and regularly arranges relevant personnel to conduct safety inspections in workplaces, so as to identify safety issues in time to eliminate hidden dangers, and also carries out fire drill trainings with the fire department on a regular basis. The Group installs dust and exhaust devices for facilities that generate dust and waste gas. For the equipment generating excessive noise, priority is first given to eliminating or reducing noise sources, then to control over the spread of noise, and last to wearing protective equipment.

(2) Occupational Safety

The Group conducts occupational health examinations on frontline staff on a regular basis, offers check-ups once every year for staff above employee level, and creates occupational health management files, so as to protect their physical and psychological health, which enables them to pay attention to personal health during their work. The Group has been in strict compliance with the regulations of the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" and the "Measures for the Administration of Occupational Health Examination", and regularly carries out pre-employment, on-job and pre-departure occupational health examination annually. The Group cares about the physical conditions and working environment of each employee and their daily activities in the Group.

(3) Hazard Identification and Control Measures

The Group identifies and evaluates the risk factors present in the existing workplaces, and it determines the necessary control measures to eliminate and reduce risks and to achieve system security. For potential emergencies (such as fires, flammable leaks, typhoons, accidental injuries), each of the production facilities has formulated the "Environmental Emergency Response Plan of Qinqin", such plan details the possible and unpredictable environmental events and existing risks within the Group and the corresponding emergency plans and response control procedures in place and manages them according to emergency procedures.

E. GREEN DEVELOPMENT

The Group insists on a green and low-carbon emission development concept. With regard to its due responsibility on environmental protection, the Group's environmental protection policies are integrated into its corporate development. The Group enforces the national laws and regulations in the field of environmental protection with rigor, takes further efforts to control pollutants and reduce the total emission volume of pollutants, so as to minimize the environmental impacts of its production and operations, and to achieve growths in both economic benefits and social benefits. The Group also allocates resources for environmental protection, aiming to ensure that all of its environmental protection and energy consumption indicators comply with national standards. The Group is working towards improving the efficiency on use of resources and attaining the goal of a pollution-free society in its production and operation processes.

1. Emissions

The Group advocates energy-saving and emission-reduction at every link of the business. By strictly complying with the requirements of the laws and regulations under the "Environmental Protection Law of the People's Republic of China" and adopting effective measures at both stages of pollutant generation and emission, the Group continues to minimize the environmental impacts of wastewater, waste gas, greenhouse gas and hazardous or harmless solid wastes which are generated in its production and operation processes.

The major emissions discharged by the Group are the waste gas generated from the combustion of fossil fuels during its production, the wastewater generated from various processes during its product production and the dust particles generated from transport.

For waste gas, the Group has been in strict compliance with the requirements under the laws and regulations such as the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", and has ensured that the generated gas emissions from boilers used at its production facilities meet the "Emission Standard of Air Pollutants for Boilers of the PRC" and has reduced its impacts on the surrounding environment by discharging emissions in an orderly manner through a funnel. The Group used electrostatic fume pacifier to purify waste fume generated in its production up to the emission standard before emission in order to minimize the emission of waste gas pollutants to the greatest degree.

Wastewater discharged by the Group are mainly production wastewater and domestic wastewater generated during production. The Group has been in strict compliance with the requirements under the laws and regulations such as the "Law of the People's Republic of China on the Prevention and Control of Water Pollution". The Group also has formulated the "Sewage Treatment System Management Measures", where all production facilities have built-in sewage treatment systems, and wastewater will meet the discharge standards after treatment. On such basis, the Group actively introduces various advanced and developed equipment and facilities, continuously optimizes and improves its existing treatment processes, and enhances the efficiency of environmental facilities in treating pollutants.

The Group's major emissions in 2019 were as follows:

Emissions	**Details of emissions**	**Emission volume**		**Unit**
		2019	2018	
Waste gas	Nitrous oxides (NOx)	**0.20**	0.26	Tonne
	Sulphur dioxide (SO2)	**0.0012**	0.0017	Tonne
	Dust particles	**0.0004**	0.0008	Tonne
Wastewater	Chemical oxygen demand (COD)	**63.90**	73.38	Tonne
	Ammonia nitrogen (NH3-N)	**6.39**	7.34	Tonne
	Wastewater volume	**425,987.0**	489,203.1	Cubic metre

2. Greenhouse gas

Greenhouse gas emitted by the Group is mainly generated from the energy consumption, which includes natural gas, electricity and steam, during its production. By strictly complying with the relevant requirements under the "Work Plan for Controlling Greenhouse Gas Emissions for the 13th Five-Year Period", the Group is committed to, among others, improving equipment energy efficiency, reducing energy consumption, using clean energy and conducting refined product management, in order to reduce the emissions of greenhouse gas.

The Group's calculation for greenhouse gas mainly covers carbon dioxide, methane and nitrous oxide. Greenhouse gas emissions information are calculated in accordance with the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange. Direct greenhouse gas emissions include the greenhouse gas emission generated directly from the Group's operation; the energy indirect greenhouse gas generated from the Group's internal consumption of electricity, heat and steam which led to the "indirect energy" greenhouse gas emission.

The Group's major greenhouse gas emission volume and emission density in 2019 were as follows:

Greenhouse gas emissions	Emission volume 2019	2018	Unit
Direct greenhouse gas emissions	**2,887.25**	3,883.80	Tonne of carbon dioxide equivalent ($tCO2e$)
Energy indirect greenhouse gas emissions	**17,421.05**	20,543.74	Tonne of carbon dioxide equivalent ($tCO2e$)
Total greenhouse gas emission volume	**20,308.30**	24,427.54	Tonne of carbon dioxide equivalent ($tCO2e$)

Total greenhouse gas emission volume 2019	2018	Unit	Greenhouse gas emission density 2019	2018	Density unit
20,308.30	24,427.54	Tonne of carbon dioxide equivalent ($tCO2e$)	**0.29**	0.30	Tonne of carbon dioxide equivalent ($tCO2e$)/ tonne of products

3. Waste Management

The Group has always been very concerned about the environmental impact of hazardous waste. The Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". After the Group classifies, collects and centrally stores hazardous waste in accordance with the "Administrative Measures for Hazardous Waste Management", hazardous waste is treated and thus rendered harmless by qualified third-party companies before disposal. The Group adopted various measures to reduce the amount and volume of waste, continually improved the production process in order to minimize the production volume of hazardous waste. The hazardous waste is treated and thus rendered harmless, and such measures meet the standard of causing no harm to human health and reduces secondary pollution in environment at source.

For non-hazardous wastes, the Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". Non-hazardous wastes are treated and thus rendered harmless, separated before disposal and finally recycled and reused by the companies with relevant qualifications. The Group continually introduced waste recycling treatments at its production facilities, recycled useful constituent and energy from solid wastes to cut down consumption of resources and speed up the recycling and utilization of resources.

The volume and density of major wastes generated by the Group in 2019 were as follows:

Waste discharge	**Unit**	**2019**	2018
Total discharge of hazardous wastes	Litre	**301.2**	306.5
Density of hazardous waste discharge	Litre/tonne of products	**0.004**	0.004
Total discharge of non-hazardous wastes	Tonne	**1,346.2**	1,469.9

Note:

(1) Hazardous wastes are mainly generated from the consumption of materials (including ink and detergents) by the Group's packaging lines in the packaging process.

(2) Non-hazardous wastes are mainly: plastic, sludge, waste paper, production wastes etc.

The Group actively adopts various initiatives to treat and reduce the generation of waste, including the adoption of lean production and management at the packaging process of its major products, centrally collects the leftover materials of plastic cups from utilisation stage of production materials and return it back to the production process for reuse in order to increase the rate of utilisation of packaging materials and reduce the consumption of plastic and membrane materials, so as to maximize the use of resources.

The Group actively introduced various measures to reduce the emissions, which included:

1. The Group's production facilities actively responded to national call for energy saving and emission reduction by eliminating the use of coal and diesel to reduce the reliance on petrochemical products. Some production facilities propelled the use of natural gas. Some of the production facilities purchased steam and hence adopted the centralized heating method in production to eradicate the emission of waste gas at source.

2. The production facility producing crackers and chips upgraded the existing fume purification facilities and utilized electrostatic fume purifiers with removal efficiency reaching ≥75%, meeting the requirements of the environmental department and the emission requirements of "Emission Standard of Cooking Fume" of the PRC.

3. The production facilities were equipped with wastewater treatment facilities which were examined and approved by the local competent department of environmental protection. The wastewater generated from the production process can efficiently reduce the content of pollutants, such as COD and NH3, in wastewater through the biochemical production processes, and the treated wastewater meets the emission standards of the "Integrated Wastewater Discharge Standards" of the PRC or proceed with the deep processing through discharging from the municipal wastewater piping network to the town wastewater treatment plants piping network.

4. The production facilities actively adopted odor prevention and control measures by upgrading the production tanks which easily generate odor at the sewage treatment stations of some production facilities, adding a sealed odor-collecting casing on the top to prevent the gas drifting to surrounding areas. The sewage treatment stations centrally collect the generated gas to odor removing degassing tower through gas gathering pipelines, then the gas will be treated using activated carbon and discharged through a funnel, in order to significantly reduce the impacts posed on the environment including the surrounding residential areas.

In 2019, all production facilities strived to carry out measures to improve and upgrade production equipment in the production process as well as integrate and optimize the existing production lines. With the adoption of effective measures at the stages of pollutant generation and discharge to continually reduce the volume of pollutants during the production and operation processes of the Company, the achievement of the objectives was as follows:

- In terms of the reduction of emission of pollutants
  - The total emission volume of waste gas (including NOx, SO2 and dust particles) reduced by 23.2% when compared to the same period last year.
  - The total discharge volume of wastewater reduced by 12.9% when compared to the same period last year, while COD pollutants reduced by 9.48 tonnes/year when compared to the same period last year, and NH3-N reduced by 0.95 tonne/year when compared to the same period last year.
  - The total emission volume of greenhouse gas reduced by 16.9% when compared to the same period last year.
- In terms of the reduction of emission of wastes
  - The volume of hazardous wastes generated per packaging unit remained the same when compared to the same period last year, and the hazardous wastes generated are treated and thus rendered harmless by qualified third-party companies before disposal.
  - The total volume of non-hazardous wastes decreased by 8.4% when compared to the same period last year. Among non-hazardous wastes, plastic, waste paper, waste metal and production wastes are all resources which can be reused. In order to reduce the direct emission of wastes into the environment, the Group disposed of the waste resources to other demanding companies by way of open tender, thus maximizing the utilization of resources and achieving its greatest recyclable value.

4. Use of Resources

The Group is committed to maximizing the recycling of resources in the entire lifecycle of products (research and development, production and elimination), and continues to work forwards energy-saving and emission reduction.

(1) Energy Consumption

The major energy consumption of the Group are natural gas, electricity and steam consumed during its production. By strictly complying with the "Energy Conservation Law of the People's Republic of China", the Group always strives to increase its energy efficiency and continuously strive to improve its energy performance.

In accordance with the "Continuous Production Improvement and Management Measures of Qinqin", the Group's continuous production improvement committee assesses the improvement proposals submitted by each production facility every year and announces the awarded improvement proposal accordingly. The Group also encourages all staff to actively participate in the improvement activities, successively and continually improves and optimizes various production processes and equipment, effectively reduces energy waste and production costs, enhances product quality and production effectiveness and efficiency, as well as facilitates its operational management and improvement in effectiveness.

The Group's major energy consumption in 2019 were as follows:

Energy	Type of energy	Volume 2019	Volume 2018	Unit
Direct energy	Natural gas	**1,025,130.8**	1,340,311.0	Nm^3
Indirect energy	Purchased electricity	**20,356,050.6**	24,055,667.6	Kilowatt-hour (kWh)
	Purchased steam	**50,742.3**	58,866.0	Tonne

Total energy consumption 2019	Total energy consumption 2018	Unit	Energy consumption density 2019	Energy consumption density 2018	Density unit
42,594.03	51,782.92	Megawatt hour (MWh)	**0.60**	0.63	Megawatt hour (MWh)/ tonne of products

(2) Water Consumption

The major water consumption of the Group is derived from its production and living water usage. By strictly complying with the requirements of the laws and regulations such as "Water Law of the People's Republic of China", the Group continues to carry out water-saving technology assessment and application in order to reduce water consumption. The Group obtained its water supply from tap water supplied by water supply companies controlled by relevant local governments. As water supply is a public utility regulated by the PRC government, the Group has not experienced a material shortage during the year. The Group processed the water supplied to the Group according to industry standards before it is used for product production. To monitor water quality, water used by the Group undergoes quality checks in each location of its production facilities.

The total volume and density of water consumption of the Group in 2019 were as follows:

Water consumption volume		**Unit**	**Water consumption density**		**Density unit**
2019	2018		**2019**	2018	
688,876	694,450	Tonne	**9.73**	8.50	Tonne/tonne of products

The Group actively adopts a number of measures to increase energy efficiency and improve water use efficiency, including:

1. Energy-saving upgrading: Recycled heat in water tanks, increased water temperature of water tanks, increased the temperature of incoming water in boilers, and saved consumption of natural gas; Steam waste heat generated from the Group's production facilities is recycled for use; Ordinary lighting at certain of its production facilities were replaced with LED lights, which ensured the effectiveness of lighting.

2. Water-saving upgrading: the filling production process of the jelly production facilities was optimized and upgraded; Emphasis was put on the recycling of water resources, recycling of reverse osmosis water and steam condensate; Treated wastewater was used for greening and toiler flushing.

3. Enhancing the production process and equipment: enhanced the filling equipment of certain of the jelly products production facilities, which include low-level alarm, spill funnel and fixed volume filling equipment improvement, and such significantly increased the production volume, jelly liquid yield as well as reduced the waste of jelly liquid. Transformed certain equipment for crackers and chips, through which the total power was reduced without affecting efficiency, thereby saved the consumption of electricity.

The achievement of the objectives of increasing energy efficiency and enhancing water resources in 2019 was as follows:

- Water consumption volume per product unit increased by 16.4% when compared to the same period last year, but the total discharge volume of wastewater reduced by 12.9% when compared to the same period last year. The increase in water consumption volume was mainly because the Group used water for the production of its jelly products, and during the reporting period, the Group's jelly products accounted for 59.6% of its overall revenue, representing an increase when compared with 57.1% in 2018. The Group will continue to further enhance production technology, introduce advanced production lines and reduce the discharge volume of wastewater.

- Energy consumption volume per product unit decreased by 4.8% when compared to the same period last year, among which the consumption volume of natural gas, purchased electricity and steam reduced. Steam is environmental-friendly green energy that does not generate any waste gas pollutants, which reduces the generation of waste gas pollutants by the Group to the greatest degree. The Group's production facilities located in Fujian Province and Liaoning Province have fully adopted purchased steam and central heating approach for production.

(3) Raw Material Consumption

In terms of raw material consumption, in order to reduce waste, the Group has adhered to the consumption standards on the consumption of packaging materials and raw materials for various production units and individual products. The Group advocates energy and raw material conservation and carries out assessment on the relevant key performance indicators monthly and annually. There are reward and punishment systems based on the result of the assessment. Whether the material consumption exceeds the acceptable level will be directly linked to the salary of each employee. Such policy uses performance tools to guide employees in all positions to actively concern about material consumption and effectively reduce material discharge.

The Group's total consumption of packaging materials for finished products and the consumption per unit of production in 2019 were as follows:

Type of packaging materials	**Volume of packaging materials**		**Unit of material consumption volume**	**Density of packaging materials**		**Density Unit**
	2019	2018		**2019**	2018	
Plastic	**4,061.96**	5,662.69	Tonne	**0.06**	0.07	Tonne/tonne of finished products
Paper	**6,637.58**	7,945.79	Tonne	**0.09**	0.10	Tonne/tonne of finished products

The Group actively adopts various measures to reduce the consumption of packaging materials, including: introducing automatic packaging machines; changing of certain packaging bags from hand packaging to machine packaging; optimizing the packaging manners of some products.

5. Environment and Natural Resources

The Group's business activities have had minimal impacts on the environment and natural resources, while the impacts on the surrounding environment has gone through the vetting process by the environmental monitoring authorities of the People's Republic of China.

F. BUSINESS INTEGRITY

The Group strictly complies with the requirements of relevant laws and regulations such as the "Interim Provisions on Banning Commercial Bribery" and "Anti-Unfair Competition Law of the People's Republic of China". In accordance with relevant laws and regulations and actual situations of the Company, the Group set up the "Whistleblowing System of Qinqin" and the "Management Measures for Litigation Cases of Qinqin". The Group prohibits any corruption and bribery. Directors and employees must comply with corporate policies regarding the acceptance of benefits, and shall not seek personal gain in insider information in any circumstance. All persons involved in the selection of suppliers and contractors and procurement matters must avoid abuse of power or avoid any circumstances that prevent them from making independent decisions when purchasing goods and services. The Group has committed to the establishment of an anti-corruption and fraudulence mechanism, has "zero tolerance" on any violations of professional integrity and business ethics, and it has conducted special audits on areas where high risks of corruption and fraudulence exist.

The Group has established a whistleblowing system, internal audit department and market surveillance team, set up whistleblowing hotlines and CEO mailbox and promoting them to employees and business partners such as customers and suppliers/contractors, encourage employees, customers, suppliers etc. to report any corruption and fraudulent behaviors. The Group has established an internal audit department and market surveillance team, which enables independent investigations of reported matters. Such assisted the Group in identifying financial management loopholes, strengthening the financial management system, enhancing the financial management quality, enhancing self-discipline, self-improvement and disciplinary concepts of the leaders and promote honesty and integrity. The Group has also adopted necessary protective measures to avoid any relevant persons from being exposed to any form of harassment after reporting or cooperating in an investigation. Penalties will be imposed according to the severity of the verified violations of relevant regulations, until given relevant legal responsibilities.

G. CARE FOR SOCIETY

The Group bears in mind its corporate social responsibility and mission. By proactively participating in social welfare undertakings and positively serving the community, the Group keeps paying back to society. While pursuing corporate growth, the Group also promotes social development and progress and fulfils its social responsibility as a corporate citizen through charitable donations, support for cultural undertakings, volunteer activities, and care for the elderly and children.

The Group has established more than 20 production companies and trading branches across Mainland China, solving the local unemployment problem. The Group also actively participates in public welfare and charity cause. Some of the events organized or participated in by the Group during the year are as follows:

In March 2019, the Group participated in a voluntary activity "Love and protect the river, Plant trees and build a forest (愛河護河、植樹造林)" held in the riverside of Wuanxi (梧垵溪) in Jinjiang Economic Development Zone Food Park in Fujian Province. The Group actively responded to the invitation by sending several staff representatives to participate in such activity.

In May 2019, the Group was invited to attend the meeting for Fujian Province's "Thousand Enterprises Help Thousand Villages (千企幫千村)" targeted poverty alleviation operation and meeting for the participation of private enterprises in the implementation of the strategy of revitalizing rural areas, and was awarded the title of Advanced Private Enterprise for Fujian Province's "Thousand Enterprises Help Thousand Villages" targeted poverty alleviation operation.

In September 2019, as Chung Yeung Festival was approaching, the union representatives of Qinqin Foods went to Lingshui community (靈水社區), Jinjiang, Fujian Province, and sent delicious new products and gift money to the elderly, and wished them health and longevity.

The directors (the "**Director(s)**") of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") herein present their report together with the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. During the year, the Group is principally engaged in the manufacturing, distribution and sale of food and snack products in the People's Republic of China (the "**PRC**").

The principal activities of the Company's subsidiaries are set out in note 33 to the consolidated financial statements in the annual report.

Further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on page 6 to 13 of this annual report. An analysis using financial key performance indicators can be found in "Financial Highlights" on page 3 of this annual report. This above discussion and highlight form part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 70 of this annual report.

The Board did not recommend the payment of final dividend for the year ended 31 December 2019.

The register of members of the Company (the "**Shareholders**") will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 12 June 2020 (the "**2020 AGM**"), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2020.

RESERVES

Details of the movement in reserves of the Company and of the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company's net reserves available for distribution, calculated in accordance with the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands, as consolidated and revised from time to time, as at 31 December 2019 amounted to RMB465,152,000 (2018: RMB259,526,000), which represented the retained earnings/accumulated losses and share premium.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 24 to the consolidated financial statements in the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 136.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Hui Ching Lau *(Chairman)*
Mr. Wong Wai Leung
Mr. Zhu Hong Bo (resigned as director with effect from 14 October 2019)

Non-Executive Directors

Mr. Hui Lin Chit
Mr. Sze Man Bok
Mr. Wu Huolu
Mr. Wu Sichuan
Mr. Wu Yinhang

Independent Non-Executive Directors

Mr. Cai Meng
Mr. Chan Yiu Fai Youdey
Mr. Ng Swee Leng
Mr. Paul Marin Theil

Pursuant to the articles of association of the Company, all Directors appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. In addition, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Sze Man Bok, Mr. Wu Huolu, Mr. Chan Yiu Fai Youdey and Mr. Paul Marin Theil shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE AGREEMENT

Each of the executive Directors and non-executive Directors has respectively entered into a service contract with the Company for a term expiring on 7 July 2022. The service contract may be terminated in accordance with the respective terms of the service contract.

Independent non-executive Directors were appointed pursuant to the respective letters of appointment for a term of three years expiring on 7 July 2022.

None of the Directors of the Company has entered or has proposed to enter into any service contract with the Company or any member of the Group other than contracts expiring or terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors are set out in note 35 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2019, the Group had approximately 2,200 (2018: 2,500) employees. The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruit employees based on a number of factors, including their educational background, work experience and vacancies within the Group. The Group determines employees' compensation based on their qualifications, work experience, position and performance. In addition to salaries, the Group provides a comprehensive range of staff benefits to its employees, including performance or contribution-based bonuses and allowances for meals and free dormitories. Besides, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

The Group also committed to continuing education and development of its employees, and the Group provides various education and training programs both internally and externally to cultivate its employees in improving their skills and developing their potential.

Remuneration of Directors and senior management of the Group is reviewed by the Company's remuneration committee against the Company's goals and objectives.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out on page 14 to 18.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 32 to the consolidated financial statements and under the Continuing Connected Transactions below, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year.

COMPETING BUSINESSES

As at 31 December 2019, none of the Directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

CONTINUING CONNECTED TRANSACTIONS

The following transactions are regarded as continuing connected transactions under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**"), and are disclosed in accordance with Chapter 14A of the Listing Rules.

	2019 **RMB'000**	2018 RMB'000
Purchases of flour from Fujian Shuncheng Flour Industry Development Co., Ltd ("**Shuncheng Flour**")	**1,799**	5,331

Shuncheng Flour is a company owned as to over 50% by Mr. Wu Huolu and Mr. Wu Yinhang, each of whom is a Director of the Company, and their family members. Shuncheng Flour has been supplying flour to the Group in the ordinary course of our business during the year ended 31 December 2019.

The supply of flour from Shuncheng Flour to the Group during the year ended 31 December 2019 has been governed by a framework agreement entered into between a wholly owned subsidiary of the Company and Shuncheng Flour on 12 December 2018, which set out the principle terms governing the supply of flour to members of the Group for a term of three years commencing from 1 January 2019 and expiring on 31 December 2021 (both days inclusive).

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transaction were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 to the consolidated financial statements. None of them constitutes a discloseable transaction as defined under the Listing Rules.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interest and short positions of the Directors in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which the Directors have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were set out below:

Long positions in the shares of the Company (the "Shares")

Name of Director	Note	Capacity/Nature of interest	Number of Shares interested	Number of underlying Shares interested (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Hui Ching Lau	3	Interest of controlled corporation/ corporate interest	246,346,905	—	36.49%
Mr. Sze Man Bok	4	Beneficial owner and founder of discretionary trust/ personal and other interests	45,760,919	—	6.78%
Mr. Wu Huolu	5	Beneficial owner and interest of controlled corporation/ personal and corporate interests	35,842,895	—	5.31%
Mr. Wong Wai Leung		Beneficial owner/personal interest	—	240,000	0.04%

Notes:

1. Underlying Shares represent share options granted to the directors pursuant to share option scheme of the Company and details of which are set out on pages 56.

2. The percentages expressed are based on the total number of issued Shares of 675,096,557 as at 31 December 2019.

3. These 246,346,905 Shares are held and owned by Sure Wonder Limited, which is wholly owned by Mr. Hui Ching Lau and accordingly, Mr. Hui Ching Lau is deemed to be interested in the said 246,346,905 Shares.

4. These 45,760,919 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited ("**Tin Lee**") and 115,120 Shares held and owned by Mr. Sze Man Bok. Tin Lee is a wholly owned subsidiary of Tin Wing Holdings Limited, which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze's Family Trust and accordingly, is deemed to be interested in the said 45,645,799 Shares.

5. These 35,842,895 Shares comprise (i) 35,214,895 Shares held and owned by Easy Success International Investment Limited ("**Easy Success**"), which is wholly owned by Mr. Wu Huolu; and (ii) 628,000 Shares held and owned by Mr. Wu Huolu. Mr. Wu Huolu is deemed to be interested in the said 35,214,895 Shares held by Easy Success accordingly.

Save as disclosed above, none of the Directors or chief executive had, as at 31 December 2019, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2019, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the Shares and the underlying Shares, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or to be notified to the Company, were as follows:

Long Positions in the Shares of the Company

Name of Substantial Shareholder	Note	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the Company (Note 1)
Sure Wonder Limited	2	Beneficial owner/beneficial interest	246,346,905	36.49%
Tin Lee Investments Limited	3	Beneficial owner/beneficial interest	45,645,799	6.76%
Tin Wing Holdings Limited	3	Interests of controlled corporation/ corporate interest	45,645,799	6.76%
Serangoon Limited	3,4	Nominee for another person/other interest	58,368,099	8.65%
Seletar Limited	3,4	Nominee for another person/other interest	58,368,099	8.65%
Credit Suisse Trust Limited	3,4	Trustee/other interest	58,368,099	8.65%
Easy Success International Investment Limited	5	Beneficial owner/beneficial interest	35,214,895	5.22%

Notes:

1. The percentages expressed are based on the total number of issued Shares of 675,096,557 as at 31 December 2019.

2. Mr. Hui Ching Lau, the Chairman and executive Director of the Company, is the sole director and sole shareholder of Sure Wonder Limited. His interest in Shares is disclosed in the "Directors' Interests in Securities" above.

3. Tin Lee Investments Limited is a wholly owned subsidiary of Tin Wing Holdings Limited which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Each of Tin Wing Holdings Limited, Seletar Limited, Serangoon Limited and Credit Suisse Trust Limited, and Mr. Sze Man Bok are deemed to be interested in 45,645,799 Shares held and owned by Tin Lee Investments Limited under the SFO. Mr. Sze's interest in Shares is disclosed in the "Directors' Interests in Securities" above.

4. These 58,368,099 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited (under the Sze's Family Trust) and 12,722,300 held by other trusts. As stated in note 3 above, Seletar Limited and Serangoon Limited have deemed interests in these Shares on trust for Credit Suisse Trust Limited, being trustee of the said trusts, and accordingly, each of them are deemed to be interested in these Shares under the SFO.

5. These 35,214,895 Shares held and owned by Easy Success, which is wholly owned by Mr. Wu Huolu, a non-executive Director of the Company. Mr. Wu Huolu is deemed to be interested in the said 35,214,895 Shares held by Easy Success accordingly. His interest in Shares is disclosed in the "Directors' Interests in Securities" above.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Scheme**") on 16 May 2017 which is valid and effective for a period of 10 years commencing on the date of adoption of the Scheme. Further details of the Scheme are disclosed in note 25 to the consolidated financial statements.

(1) The terms of the Scheme are summarised as follows:

(i) Purpose of the Scheme
The purpose of the Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company, to encourage participants to work towards achieving performance targets in order to enhance the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole and at the same time allow participants to enjoy the results of the Company attained through their efforts and contribution, to retain participants who achieve such performance targets and attract human resources that are valuable to the Group. The Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

(ii) Eligible Persons
Participants of the Scheme comprise of directors (including executive Director(s), non-executive Directors and independent non-executive Directors), officers and employees of any member of the Group as determined by the Board from time to time. The Directors may, at their discretion, invite participants to participate in the Scheme. In determining the basis of eligibility of each participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(iii) Maximum Number of Shares Available for Issue
The maximum number of shares available for issue after considering the options already granted under the Scheme as at the date of the annual report are 35,099,655, representing 5.2% of total issued shares of the Company as at the date of this annual report, which are not more than 10% of the issued share capital of the Company (i.e. 47,569,655 shares) as at the date of the approval of the Scheme.

(iv) Maximum Entitlement of Each Participant

Unless approved by Shareholders in the manner set out in this paragraph below, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding Options, if any) in any 12-month period shall not exceed 1% of the Shares in issue. Any further grant of options to a participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding Options, if any) in the 12-month period up to and including the date of such further grant exceeding the said 1% limit shall be subject to Shareholders' approval in advance with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. A circular containing the information required under the Listing Rules must be sent to the Shareholders disclosing the identity of such participant and the number and terms of the options granted and to be granted.

Where any grant of Options to a substantial Shareholder or an independent non-Executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding, if any) to such person in the 12 month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the shares then in issue; and

(b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of such grant, in excess of HK$5 million (or such other amount as may from time to time be specified by the Stock Exchange),

such further grant of options shall be subject to prior approval by the Shareholders. The proposed grantee, his associates and all core connected persons (as such terms are defined in the Listing Rules) of the Company shall abstain from voting at such general meeting, except that such grantee, his associates or all core connected persons may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(v) Time on Exercise of Options

An option may be exercised in accordance with the terms of the Scheme and the offer of the grant of an option at any time commencing on the date of grant and expiring on such date as determined by the Board provided that the option may not be exercised after the expiration of 10 years from the date of grant.

(vi) Acceptance of Offer

An offer for the grant of options must be accepted not less than 10 business days after the offer date and must be accompanied by payment of HK$1.00.

(vii) Subscription Prices
The subscription price for the shares shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer of option and shall be no less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share on the date of grant.

(viii) Remaining Life of the Scheme
The Scheme will remain in force before 16 May 2027.

(2) The table below sets out movements in the share options granted under the Scheme during the year ended 31 December 2019:

	Number of share options							
Eligible person	**Balance as at 1/1/2019**	**Granted during the year**	**Exercised during the year**	**Cancelled or lapsed during the year**	**Balance as at 31/12/2019**	**Exercise price per share** HK$	**Date of grant** (DD/MM/YYYY)	**Exercisable period** (DD/MM/YYYY)
Directors								
Mr. Wong Wai Leung	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2019–06/06/2022
	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2020–06/06/2022
	60,000	—	—	—	60,000	2.31	16/08/2018	17/08/2020–16/08/2023
	60,000	—	—	—	60,000	2.31	16/08/2018	17/08/2021–16/08/2023
Mr. Zhu Hong Bo (Note 3)	200,000	—	—	(200,000)	—	2.31	16/08/2018	17/08/2020–16/08/2023
	200,000	—	—	(200,000)	—	2.31	16/08/2018	17/08/2021–16/08/2023

Eligible person	Number of share options: Balance as at 1/1/2019	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Balance as at 31/12/2019	Exercise price per share HK$	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)
Other employees	3,440,000	—	—	(825,000)	2,615,000	2.56	06/06/2017	07/06/2019–06/06/2022
	3,440,000	—	—	(825,000)	2,615,000	2.56	06/06/2017	07/06/2020–06/06/2022
	4,900,000	—	—	(1,150,000)	3,750,000	2.31	16/08/2018	17/08/2020–16/08/2023
	4,900,000	—	—	(1,150,000)	3,750,000	2.31	16/08/2018	17/08/2021–16/08/2023
	17,320,000	—	—	(4,350,000)	12,970,000			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of exercise period.

2. The closing price of the Shares immediately before the date on which the share options being granted on 6 June 2017 and 16 August 2018 was HK$2.56 and HK$2.29 respectively.

3. Mr. Zhu Hong Bo resigned as director on 14 October 2019.

The Company used the Binomial Model for assessing the fair value of the share option granted. The following assumptions were used to calculate the fair values of the share options:

	Date of Grant	
	6 June 2017	**16 August 2018**
Grant date share price	HK$2.56	HK$2.29
Exercise price	HK$2.56	HK$2.31
Expected life	5 years	5 years
Expected volatility (note a)	33%	34%
Risk-free rate (note b)	0.94%	2.06%
Dividend yield (note c)	1.49%	1.91%

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.

According to the Binomial Model, the fair value of the option granted, which had been charged to the consolidated income statement for the year ended 31 December 2019, amounted to approximately RMB484,000 and the remaining unamortised fair value of approximately RMB1,946,000 will be charged to the consolidated income statement in future.

It should be noted that the value of an option varies with different variables of certain subjective assumptions, any change in variables so adopted may materially affect the fair value estimate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Having made specific enquiries with all the Directors, they have confirmed compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2019.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the Independent Non-executive Directors and is satisfied of their independence.

AUDIT COMMITTEE

The audit committee, which comprises four Independent Non-executive Directors of the Company, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers primarily comprise of distributors, direct key accounts and other retailers and the Group mainly sell its products to a broad network of distributors. The Group has maintained well-established relationships with its distributors and leverages the strength of their distribution channels to efficiently distribute products and reach consumers in different regions of China.

The Group selects its suppliers based on price, product quality, safety and market reputation and typically collaborate with reliable and reputable suppliers of raw materials. The Group has had stable relationships with many of its suppliers of raw materials, and the Group generally has various sources of supply for each type of raw material to reduce the reliance on a single supplier and to make reference to prevailing market prices for the same raw material.

The percentages of purchases and sales for the year ended 31 December 2019 contributed by the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	5.7%
— five largest suppliers combined	17.5%
Sales	
— the largest customer	1.4%
— five largest customers combined	4.6%

None of Directors, their close associates or substantial shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest customers or suppliers.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of information of the Directors are set out as below:

Executive Director – Mr. Wong Wai Leung

Mr. Wong's minimum annual remuneration was increased from HK$1,560,000 to HK$1,820,000 with effect from 1 January 2020.

Independent Non-Executive Director – Mr. Paul Marin Theil

On 17 May 2019, Mr. Theil was appointed as an independent non-executive director of Hengan International Group Company Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1044).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float during the year ended 31 December 2019 under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

According to the articles of association of the Company, every director of the Company shall be entitled to be indemnified out of assets of the Company against all losses or liabilities incurred or sustained by him as a director in defending and proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

Save as disclosed herein, at no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to the subscription agreements dated 22 March 2019 entered into between the Company and the subscribers, an aggregate of 104,400,000 ordinary shares of the Company of HKD0.01 each in the share capital of the Company (the "**Shares**") were issued at HKD2.2 per Share (the "**Subscription Price**") to the subscribers on 1 April 2019 (the "**Subscription**"). The aggregate nominal value of the Shares under the Subscription is HK$1,044,000. The Subscription Price represented (i) a premium of approximately 1.38% to the closing price of HK$2.17 per Share as quoted on the Stock Exchange on 21 March 2019, the date on which the terms of the subscription agreement were fixed; and (ii) a discount of approximately 1.43% to the average closing price of approximately HK$2.232 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 21 March 2019. The subscribers are independent professional or individual investors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscribers (and their respective ultimate beneficial owners, if applicable) are third parties independent of the Company and its connected persons. Details of the Subscription were disclosed in the Company's announcements dated 22 March 2019 and 1 April 2019.

The gross and net proceeds of the Subscription were approximately HKD229.68 million (equivalent to approximately RMB197.0 million) and approximately HKD229.48 million (equivalent to approximately RMB196.8 million), respectively. The net subscription price, after deducting such fees, costs and expenses, is therefore approximately HK$2.198 per Share under the Subscription.

Sets out below is a summary of the intended and actual use of proceeds from the Subscription:

Intended use of proceeds as announced and actual use of proceeds	**Net proceeds** (Approximate) (RMB in million)	**Amount of proceeds utilised up to 31 December 2019** (Approximate) (RMB in million)	**Amount of proceeds unutilised up to 31 December 2019** (Approximate) (RMB in million)
Upgrade of enterprise resource planning (ERP) system of the Group	15.4	2.5	12.9
Purchase of machinery and equipment	29.2	29.2	—
Promotion and marketing campaigns	25.7	25.7	—
Provide funding for land acquisition and development costs of sesame candy and rice wine production facilities in Xiaogan City, Hubei Province, PRC.	126.5	85.5	41.0
Total	196.8	142.9	53.9

As at the date of this report, the Company expects that the unutilised proceeds will be used according to the intended use of proceeds as previously announced. As the Company is in the process of upgrading its ERP system and developing the new production facilities in Xiaogan City, Hubei Province, PRC in phases, it is expected that the unutilised proceeds as at 31 December 2019 will be fully utilised in the financial year 2021 and 2020 respectively.

Save as disclosed herein, the Company did not have any other fund raising activity during the year ended 31 December 2019 and up to the date of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including but not limited to, extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over people travelling and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. It may have a temporary impact on the Group's transportation and production cost in some regions, but not to the extent of material. As at the date of this report, the Group was not aware of any material effect on the financial statements of the Group as a result of the COVID-19 outbreak.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Details of the Company's environmental, social and governance practices are set out in the Environmental, Social and Governance Report of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board
Qinqin Foodstuffs Group (Cayman) Company Limited

Hui Ching Lau
Chairman

Hong Kong, 25 March 2020

To the Shareholders of Qinqin Foodstuffs Group (Cayman) Company Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 70 to 135, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition — sales of goods
- Recognition of deferred income tax assets

Key Audit Matters	How our audit addressed the Key Audit Matters
1. Revenue recognition — sales of goods	
Refer to Note 2(22) (Summary of significant accounting policies) and Note 5 (Revenue and segment information) of the consolidated financial statements. During the year ended 31 December 2019, the Group recognised revenue from sales of goods amounted to RMB690.9 million. Revenue is recognised when the Group satisfies a performance obligation by transferring the control of promised good or service to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that good or service. We focused on this area due to the large volume of revenue transactions generated from sales of numerous kinds of products to a large number of customers, including direct customers and distributors in many different locations.	We understood, evaluated and validated management's controls in respect of the Group's sales transactions. In addition, we tested the general control environment of the Group's information technology systems and the automated controls that were related to revenue recording. We conducted testing of revenue transactions on a sample basis by examining the relevant supporting documents including customer contracts and orders, sales invoices, goods delivery notes and good receipt records. In addition, we circularised confirmations on a sample basis on trade receivables balances as at the balance sheet date. Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date, by reconciling recognised revenue with the goods delivery notes and good receipt records, to assess whether revenue was recognised in the correct reporting periods. Based on the work performed, we found the Group's revenue from sales of goods being tested were supported by the evidences that we obtained.

Key Audit Matters	How our audit addressed the Key Audit Matters
2. Recognition of deferred income tax assets	
Refer to Note 2(19) (Summary of significant accounting policies), Note 4 (Critical accounting estimates and judgements) and Note 28 (Deferred income tax) of the consolidated financial statements. As at 31 December 2019, deferred income tax assets of approximately RMB17.1 million were recognised for tax losses that can be carried forward in respect of certain subsidiaries in Mainland China, to the extent that realisation of the related tax benefits through the availability of future taxable profits is probable. Significant judgements are involved in determining the recognition of deferred income tax assets and considering whether future taxable profit will be available against which the unutilised tax losses can be utilised. Management prepared a 5-year profit forecast to assess the probability of generating sufficient taxable profits in the foreseeable future involving assumptions of revenue growth rate and gross margin. We focused on this area due to its significance to the consolidated financial statements and the inherent complexity and judgements involved in recognition of deferred income tax assets.	As part of our risk assessment in this area, we compared the current year's actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias. We checked the mathematical accuracy of the forecast model, and evaluated and challenged management's profit forecasts for the next five years of the individual subsidiaries that have unutilised tax losses. Our assessment focused on the key assumptions, such as revenue growth rates and gross margin, by comparing them to these subsidiaries' historical operating results and future operating plans, together with external economic and industry forecasts, where appropriate. We also performed a sensitivity analysis over the key assumptions used in the profit forecast such as the revenue growth rate to assess the potential impact of a range of possible outcomes. The existence and amounts of unutilised tax losses, together with their expiry dates, and the income tax rates applicable to the subsidiaries have been verified by examining the tax returns submitted by the relevant entities and reviewing the correspondences with the tax authorities. Based on our work performed, we found that management's judgement and estimation for the recognition of deferred income tax assets were supported by the evidences that we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5	**690,852**	761,819
Cost of goods sold	6	**(446,358)**	(529,318)
Gross profit		**244,494**	232,501
Distribution and selling expenses	6	**(118,930)**	(131,175)
Administrative expenses	6	**(81,152)**	(97,567)
Net impairment (losses)/reversal on financial assets	3(1)(ii)	**(542)**	166
Other income and other gains — net	8	**32,748**	(490)
Operating profit		**76,618**	3,435
Finance income	9	**30,065**	35,802
Finance costs	9	**(437)**	(206)
Finance income — net		**29,628**	35,596
Share of net loss of investments accounted for using the equity method	18	**(1,891)**	—
Profit before income tax		**104,355**	39,031
Income tax expense	10	**(23,168)**	(6,271)
Profit for the year, all attributable to shareholders of the Company		**81,187**	32,760
Earnings per share for profit attributable to shareholders of the Company			
— Basic earnings per share (expressed in RMB per share)	11	**RMB0.125**	RMB0.058
— Diluted earnings per share (expressed in RMB per share)	11	**RMB0.125**	RMB0.058

The notes on pages 76 to 135 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**81,187**	32,760
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year, all attributable to shareholders of the Company	**81,187**	32,760

The notes on pages 76 to 135 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

		As at 31 December	
	Note	**2019 RMB'000**	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**247,600**	264,726
Construction-in-progress	14	**112,075**	3,995
Right-of-use assets	15	**72,601**	—
Land use rights	15	**—**	43,980
Intangible assets	16	**2,179**	3,758
Prepayments for non-current assets	17	**3,890**	6,542
Deferred income tax assets	28	**28,729**	24,592
Investments accounted for using the equity method	18	**3,109**	—
Financial assets at fair value through other comprehensive income	19	**23,146**	—
		493,329	347,593
Current assets			
Inventories	21	**98,161**	101,757
Trade receivables	22	**5,614**	9,049
Other receivables, prepayments and deposits	22	**40,437**	26,234
Cash and cash equivalents	23	**732,033**	566,085
		876,245	703,125
Total assets		**1,369,574**	1,050,718

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Equity			
Equity attributable to shareholders of the Company			
Share capital	24	**5,758**	4,861
Other reserves	26	**553,231**	355,751
Retained earnings		**587,771**	507,685
Total equity		**1,146,760**	868,297
Liabilities			
Non-current liabilities			
Lease liabilities	15	**3,110**	—
Deferred income tax liabilities	28	**4,953**	242
		8,063	242
Current liabilities			
Trade payables	27	**47,884**	56,616
Other payables and accrued charges	27	**100,393**	101,063
Contract liabilities	5(3)	**53,885**	24,500
Current income tax liabilities		**10,613**	—
Lease liabilities	15	**1,976**	—
		214,751	182,179
Total liabilities		**222,814**	182,421
Total equity and liabilities		**1,369,574**	1,050,718

The notes on pages 76 to 135 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 70 to 135 were approved by the Board of Directors on 25 March 2020 and were signed on its behalf.

Hui Ching Lau
Director

Wong Wai Leung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	**Share capital** RMB'000	**Other reserves** RMB'000	**Retained earnings** RMB'000	**Total equity** RMB'000
Balance at 1 January 2018		4,097	187,771	479,515	671,383
Profit for the year		—	—	32,760	32,760
Total comprehensive income		—	—	32,760	32,760
Issue of ordinary shares	24	764	160,275	—	161,039
Equity-settled share option arrangement	25	—	3,115	—	3,115
Appropriation to statutory reserves	26	—	4,590	(4,590)	—
Balance at 31 December 2018		4,861	355,751	507,685	868,297
Balance at 1 January 2019		4,861	355,751	507,685	868,297
Profit for the year		—	—	81,187	81,187
Total comprehensive income		—	—	81,187	81,187
Issue of ordinary shares	24	897	195,895	—	196,792
Equity-settled share option arrangement	25	—	484	—	484
Appropriation to statutory reserves	26	—	1,101	(1,101)	—
Balance at 31 December 2019		5,758	553,231	587,771	1,146,760

The notes on pages 76 to 135 are an integral part of the consolidated financial statements.

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	29(a)	**121,385**	98,058
Income tax paid		**(7,998)**	(11,901)
Net cash generated from operating activities		**113,387**	86,157
Cash flows from investing activities			
Purchase of property, plant and equipment, including additions of construction-in-progress		**(125,286)**	(15,890)
Purchase of land use rights		**(26,960)**	—
Purchase of intangible assets	16	**(1,479)**	(164)
Payments for investments accounted for using the equity method	18	**(5,000)**	—
Payments for financial assets at fair value through other comprehensive income	19	**(23,146)**	—
Proceeds from disposal of property, plant and equipment	29(b)	**9,624**	4,694
Interest received		**16,952**	11,287
Net cash used in investing activities		**(155,295)**	(73)
Cash flows from financing activities			
Proceeds from issues of shares	24	**196,792**	161,039
Repayment of lease liabilities		**(2,049)**	—
Net cash generated from financing activities		**194,743**	161,039
Net increase in cash and cash equivalents		**152,835**	247,123
Cash and cash equivalents at beginning of the year		**566,085**	294,447
Effect of foreign exchange rate changes in cash and cash equivalents		**13,113**	24,515
Cash and cash equivalents at end of the year		**732,033**	566,085

The notes on pages 76 to 135 are an integral part of the consolidated financial statements.

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 Law 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.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

— HKFRS 16 Leases

— HK(IFRIC) 23 Uncertainty over income tax treatments

— HKFRS 9 (Amendments) Prepayment features with negative compensation

— HKAS 28 (Amendments) Long-term interests in associates and joint venture

— HKAS 19 (Amendments) Plan amendment, curtailment or settlement

— Annual Improvements to HKFRS Standards 2015 — 2017 Cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2(2). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2019, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards and amendments. The Group has evaluated the impact of these new standards and amendments, no new standards or amendments have a significant impact on the consolidated financial statements of the Group.

Standards	**Effective for annual periods beginning on or after**
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Revised Conceptual Framework	
Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17 Insurance contracts	1 January 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in Note 2(1) above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition method in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2(9).

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.8%.

In addition, land use rights were reclassified to right-of-use assets ("**ROU assets**") as at 1 January 2019.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(ii) Measurements of lease liabilities and ROU assets

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	3,826
Less:	
Short-term leases recognised on a straight-line basis as expense	(2,090)
	1,736
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities and ROU assets recognised as at 1 January 2019	1,657
Of which:	
Current lease liabilities	935
Non-current lease liabilities	722
	1,657
Add: Reclassification of land use rights to ROU assets	43,980
Right-of-use assets recognised as at 1 January 2019	45,637

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iii) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets — increased by RMB45,637,000
- Land use rights — decreased by RMB43,980,000
- Lease liabilities (current portion) — increased by RMB935,000
- Lease liabilities (non-current portion) — increased by RMB722,000

There was no impact on retained earnings on 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Subsidiaries *(Continued)*

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(4) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2(11).

(5) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company who makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(6) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's and its subsidiaries' functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income" and "finance costs", where applicable. All other foreign exchange gains and losses are presented in the consolidated income statement within "other income and other gains — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(7) Property, plant and equipment

Buildings comprise mainly factories, warehouses and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(7) Property, plant and equipment *(Continued)*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery	10 - 20 years
Office equipment, furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(11)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other income and other gains — net" in the consolidated income statement.

(8) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any (Note 2(11)). Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods of the lease. Amortisation of land use rights is calculated on a straight-line basis over the period of the leases.

(9) Leases

As explained in Note 2(2) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2(2).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 31). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(9) Leases *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(9) Leases *(Continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(10) Intangible assets — Computer softwares

Computer softwares represent purchased softwares and are amortised over their estimated useful lives (10 years).

(11) Impairment of investments in subsidiaries and non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of an impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(12) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(12) Financial assets *(Continued)*

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(12) Financial assets *(Continued)*

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3(1)(ii)(b) for further details.

(13) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(15) Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 22 for further information about the Group's accounting for trade receivables and Note 3(1)(ii)(b) for a description of the Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(16) Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(18) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(19) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

(a) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(19) Current and deferred income tax *(Continued)*

(ii) Deferred income tax (Continued)

(b) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(20) Employee benefits

(i) Pension obligations

The employees of the Group in Mainland China are covered by the government-sponsored defined contribution pension plan under which the retired employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to the pension plan. Under the pension plan, the Group has no obligation for post-retirement benefits beyond the contributions made. The contributions are recognised as employee benefit expense when they are due.

(ii) Housing funds, medical insurances and other social insurances

The employees of the Group in Mainland China are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(20) Employee benefits *(Continued)*

(iii) Share-based compensation

The Group operates an equity-settled share-based payment plan (Note 25). The fair value of the employee services received in exchange for the grant of the options to purchase shares of the Company is recognised as an expenses. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (eg profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium account.

(21) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(22) Revenue recognition

(i) Sale of goods

The Group manufactures, distributes and sells food and snack products. Sales are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products. Customers have full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's products are often sold with retrospective volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in other payables and accrued charges) is recognised for expected volume discounts payable to customers in relation to sales made.

Most of the sales were made with advance payment, and no element of financing is deemed present as the remaining sales are made with credit terms of 60 to 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered and the customers has inspected and accepted the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(iii) Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(23) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are presented in the consolidated balance sheet by deducting the grant in arriving at the carrying amount of the asset and are recognised in the consolidated income statement on a straight-line basis over the life of a depreciable asset as a reduced depreciation expense.

(24) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

(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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(a) Foreign exchange risk

The Group operates primarily in Mainland China and the functional currency of majority of the companies in the Group 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 bank deposits, trade and other receivables and payables, and borrowings of its subsidiaries, which are denominated in Hong Kong Dollar ("**HKD**"), United States Dollar ("**USD**") and other currencies that are not the functional currency of the relevant companies in the Group.

As at 31 December 2019, if RMB had strengthened/weakened by 5% against the foreign currencies with all other variables unchanged, the Group's profit for the year before income tax would have been RMB24,684,000 (2018: RMB24,414,000) lower/higher respectively.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(i) Market risk (Continued)

(b) Cash flow and fair value interest rate risk

Except for cash and cash equivalents (Note 23), the Group has no other significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

(ii) Credit risk

Credit risk arises from bank deposits, trade and other receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions.

(a) Risk management

Credit risk is managed on a group basis. All bank balances were placed with or entered into with highly reputable and sizable banks and financial institutions without significant credit risk. Majority of the Group's sales are settled in cash by its customers on delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that settlement of trade receivables are followed up on a timely basis.

The Group has no significant concentrations of credit risk. The carrying amounts of bank deposits, trade receivables and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

The table below shows the bank balances with counterparties as at 31 December 2019 and 2018:

	2019 RMB'000	2018 RMB'000
Counterparties		
— Big 4 state-owned banks (Note)	**234,471**	352,728
— Other reputable and sizeable domestic commercial banks	**128,109**	34,416
— Highly reputable and sizeable foreign-owned banks	**369,402**	178,882
	731,982	566,026

Note: Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

(b) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of goods, and
- other financial assets at amortised cost.

While cash and cash equivalents were also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

Trade receivables

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging periods.

The expected loss rates are based on the ageing profiles of trade receivables over a period of 36 months before 31 December 2019 and 31 December 2018 respectively. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

31 December 2019	**Within 6 months**	**7 to 12 months**	**Over 12 months**
Expected loss rate	0.02%	0.12%	73.62%

31 December 2018	**Within 6 months**	**7 to 12 months**	**Over 12 months**
Expected loss rate	0.68%	13.63%	86.50%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

(b) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

The closing loss allowances for trade receivables as at 31 December 2019 and 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening loss allowance at 1 January	**94**	892
Increase in loss allowance recognised in profit or loss during the year	**633**	—
Receivables written off during the year as uncollectible	**(633)**	(632)
Unused amount reversed	**(91)**	(166)
Closing loss allowance at 31 December	**3**	94

Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

There is no loss allowance for other financial assets at amortised cost as at 31 December 2019 and 2018.

(iii) Liquidity risk

Cash flow is managed at Group level by head office finance department ("**Group Finance**"). Group Finance monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. Group Finance usually takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Group Finance mainly invests surplus cash in time deposits, with appropriate maturities.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

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.

	Less than 1 year RMB'000	Between 1 and 2 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Trade payables	**47,884**	**—**	**—**	**—**	**47,884**
Other payables and accrued charges (excluding non-financial liabilities)	**61,132**	**—**	**—**	**—**	**61,132**
Lease liabilities	**2,341**	**1,361**	**1,556**	**840**	**6,098**
	111,357	**1,361**	**1,556**	**840**	**115,114**
At 31 December 2018					
Trade payables	56,616	—	—	—	56,616
Other payables and accrued charges (excluding non-financial liabilities)	56,206	—	—	—	56,206
	112,822	—	—	—	112,822

(2) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated on the basis of the total bank borrowings as a percentage of the total shareholders' equity.

No gearing ratio has been presented as the Group did not have borrowings as at 31 December 2019 (2018: Nil).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Fair value estimation

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 31 December 2019:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Financial assets		
FVOCI		
— Level 3 (Note 19)	**23,146**	—

During the year ended 31 December 2019, 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.

The following table presents the changes in level 3 instruments for the year ended 31 December 2019:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening Balance	**—**	—
Additions	**23,146**	—
Fair value changes	**—**	—
Closing balance	**23,146**	—

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(2) Impairment of property, plant and equipment

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policy stated in Note 2(11). The recoverable amount of a CGU (cash-generating unit) has been determined based on higher of value-in-use and fair value less costs to sell.

The Group measured the value-in-use and fair value less costs to sell by discounting the future estimated cash flow deriving from the property, plant and equipment. These calculations required the Group to estimate the expected future cash flows from the CGUs and also to apply a suitable discount rate in order to calculate the present value of those cash flows.

(3) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3(1).

(4) Estimation of the fair value of FVOCI

The fair value of financial instruments that are not traded in an active market, such as equity interest classified as FVOCI is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(5) Current tax and deferred tax

The Group is subject to income taxes in Mainland China and in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

5 REVENUE AND SEGMENT INFORMATION

(1) Description of segments

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. 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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments results

	Year ended 31 December 2019				
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Revenue — recognised at a point in time					
Sales to external customers	411,466	183,154	69,734	26,498	690,852
Cost of goods sold	(270,944)	(109,818)	(44,784)	(20,812)	(446,358)
Results of reportable segments	140,522	73,336	24,950	5,686	244,494

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

Results of reportable segments	244,494
Distribution and selling expenses	(118,930)
Administrative expenses	(81,152)
Net impairment losses on financial assets	(542)
Other income and other gains — net	32,748
Finance income	30,065
Finance costs	(437)
Share of net loss of investments accounted for using the equity method	(1,891)
Profit before income tax	104,355
Income tax expense	(23,168)
Profit for the year	81,187

Other segment information is as follows:

	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Depreciation and amortisation charges					
Allocated	20,377	7,314	2,473	1,079	31,243
Unallocated					4,884
					36,127
Capital expenditures					
Allocated	55,023	7,237	1,691	—	63,951
Unallocated					104,624
					168,575

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments results *(Continued)*

	Year ended 31 December 2018				
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Revenue — recognised at a point in time					
Sales to external customers	435,238	210,273	87,307	29,001	761,819
Cost of goods sold	(314,242)	(134,273)	(59,251)	(21,552)	(529,318)
Results of reportable segments	120,996	76,000	28,056	7,449	232,501

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

Results of reportable segments	232,501
Distribution and selling expenses	(131,175)
Administrative expenses	(97,567)
Net reversal of impairment losses on financial assets	166
Other income and other gains — net	(490)
Finance income	35,802
Finance costs	(206)
Profit before income tax	39,031
Income tax expense	(6,271)
Profit for the year	32,760

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Depreciation and amortisation charges					
Allocated	20,806	5,954	2,681	1,576	31,017
Unallocated					2,300
					33,317
Capital expenditures					
Allocated	11,810	3,457	832	—	16,099
Unallocated					5,820
					21,919

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments results *(Continued)*

Geographical information

Over 90% of the Group's revenue and operating profit were generated from the sales in Mainland China and over 90% of the Group's non-current assets were located in Mainland China, therefore no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Major customers

None of the Group's sales to a single customer accounting to 10% or more of the Group's total revenue for the year, therefore no major customer information is presented in accordance with HKFRS 8 Operating Segments.

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.

(3) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	2019 **RMB'000**	2018 RMB'000
Contract liabilities — advances from customers	**53,885**	24,500

The following table shows how much of the revenue recognised in the current reporting year that was related to carried-forward contract liabilities:

	2019 **RMB'000**	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Advances from customers	**24,500**	27,371

The Group selected to choose a practical expedient and omitted disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

6 EXPENSES BY NATURE

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

	2019 RMB'000	2018 RMB'000
Raw materials and consumables used	**321,477**	404,000
Changes in inventories of work-in-progress and finished goods	**3,880**	(8,599)
Employee benefit expense, including directors' emoluments (Note 7)	**140,942**	170,640
Depreciation of property, plant and equipment (Note 13)	**31,578**	31,526
Amortisation of right-of-use assets/land use rights (Note 15)	**3,785**	1,064
Amortisation of intangible assets (Note 16)	**764**	727
Utilities and various office expenses	**39,909**	43,258
Transportation and packaging expenses	**35,093**	45,323
Travelling expenses	**18,307**	16,707
Marketing and advertising expenses	**17,296**	13,441
Rental expenses for leases of properties (Note 15)	**2,560**	4,759
Auditor's remuneration	**1,800**	1,878
Research and development expenses	**1,024**	6,213
Provision/(reversal of provision) for decline in value of inventories (Note 21)	**902**	(582)
Others	**27,123**	27,705
Total cost of sales, distribution and selling expenses and administrative expenses	**646,440**	758,060

7 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2019 RMB'000	2018 RMB'000
Wages and salaries	**127,785**	144,407
Equity-settled share-based payment expense (Note 25)	**484**	3,115
Pension, housing fund, medical insurance and other social benefits	**12,673**	23,118
Total employee benefit expenses	**140,942**	170,640

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included two (2018: two) directors, details of whose emoluments are reflected in the analysis presented in Note 35. The emoluments payable to the remaining three (2018: three) individuals during the year were as follows:

	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	**995**	1,033
Equity-settled share-based payment	**13**	80
Pension, housing fund, medical insurance and other social benefits	**61**	25
	1,069	1,138

The emoluments fell within the following band:

	Numbers of the individual	
	2019	2018
Emolument band		
Within HKD1,000,000	**3**	3

8 OTHER INCOME AND OTHER GAINS — NET

	2019 RMB'000	2018 RMB'000
Gains on modification of lease period of land use rights (Note 15)	**15,825**	—
Government grants	**8,686**	4,708
Gains/(losses) on disposal of property, plant and equipment — net (Note 29)	**5,073**	(6,329)
Gains on write-off of payables	**3,879**	965
Losses on disposal of software	**(2,294)**	—
Others	**1,579**	166
	32,748	(490)

Governments grants received during the year 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.

The loss on disposal of software represented the write-off of the accounting system and certain systems for operations after the usage of SAP systems under service contract.

9 FINANCE INCOME AND FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Finance income:		
Interest income from bank deposits	**16,952**	11,287
Exchange gains	**13,113**	24,515
	30,065	35,802
Finance costs:		
Interest expense for lease liabilities (Note 15)	**(213)**	—
Other finance charges	**(224)**	(206)
	(437)	(206)
Finance income — net	**29,628**	35,596

10 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated income statement represents:

	2019 RMB'000	2018 RMB'000
Current income tax	**22,594**	11,086
Deferred income tax, net (Note 28)	**574**	(4,815)
Income tax expense	**23,168**	6,271
Represented by:		
Corporate income tax	**22,530**	3,402
Withholding tax on distributed profits and unremitted earnings	**638**	2,869
Income tax expense	**23,168**	6,271

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2019 and 2018 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%.

Taxation on Mainland China income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Mainland China in which the Group operates. The Company's subsidiaries incorporated in Mainland China are subject to Corporate Income Tax at the rate of 25% (2018: 25%).

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

The profits of the Mainland China 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. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's Mainland China subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to the profits of the Group's companies as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	**104,355**	39,031
Tax calculated at tax rates applicable to profits of the Group's companies	**24,964**	6,449
Income not subject to tax	**(3,445)**	(2,346)
Withholding tax on distributed profit and unremitted earnings	**638**	2,869
Others	**1,011**	(701)
Income tax expense	**23,168**	6,271

11 EARNINGS PER SHARE

(a) Basic

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

	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	**81,187**	32,760
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**648,996,557**	561,196,557
Basic earnings per share	**RMB0.125**	RMB0.058

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprise of share options.

	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	**81,187**	32,760
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**648,996,557**	561,196,557
Adjustments for share options	**224,118**	—
Weighted average number of ordinary shares for diluted earnings per share	**649,220,675**	561,196,557
Diluted earnings per share	**RMB0.125**	RMB0.058

12 DIVIDENDS

At a meeting of the Board of Directors held on 25 March 2020, the Board of Directors did not recommend any payment of dividend to shareholders for the year ended 31 December 2019 (2018: Nil).

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2019					
Cost	274,496	153,135	19,561	787	447,979
Accumulated depreciation	(97,633)	(62,779)	(15,299)	(324)	(176,035)
Accumulated impairment	—	(7,218)	—	—	(7,218)
Net book amount	176,863	83,138	4,262	463	264,726
Year ended 31 December 2019					
Opening net book amount	176,863	83,138	4,262	463	264,726
Additions	1,232	17,533	1,029	639	20,433
Transfer to construction-in-progress (Note 14)	(1,259)	(171)	—	—	(1,430)
Depreciation for the year (Note 6)	(13,599)	(16,948)	(901)	(130)	(31,578)
Disposals	(1,182)	(3,251)	(102)	(16)	(4,551)
Closing net book amount	162,055	80,301	4,288	956	247,600
At 31 December 2019					
Cost	264,472	150,292	19,748	1,102	435,614
Accumulated depreciation	(102,417)	(62,773)	(15,460)	(146)	(180,796)
Accumulated impairment	—	(7,218)	—	—	(7,218)
Net book amount	162,055	80,301	4,288	956	247,600

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018					
Cost	273,091	180,568	19,636	2,960	476,255
Accumulated depreciation	(84,057)	(70,605)	(14,874)	(1,948)	(171,484)
Accumulated impairment	—	(12,259)	—	—	(12,259)
Net book amount	189,034	97,704	4,762	1,012	292,512
Year ended 31 December 2018					
Opening net book amount	189,034	97,704	4,762	1,012	292,512
Additions	1,152	11,613	1,236	139	14,140
Transfer from construction-in-progress (Note 14)	532	91	—	—	623
Depreciation for the year (Note 6)	(13,749)	(15,709)	(1,679)	(389)	(31,526)
Disposals	(106)	(10,561)	(57)	(299)	(11,023)
Closing net book amount	176,863	83,138	4,262	463	264,726
At 31 December 2018					
Cost	274,496	153,135	19,561	787	447,979
Accumulated depreciation	(97,633)	(62,779)	(15,299)	(324)	(176,035)
Accumulated impairment	—	(7,218)	—	—	(7,218)
Net book amount	176,863	83,138	4,262	463	264,726

Depreciation expenses have been charged to the consolidated income statement as follows:

	2019 RMB'000	2018 RMB'000
Manufacturing overheads included in cost of goods sold	**22,878**	21,563
Distribution and selling expenses	**42**	133
Administrative expenses	**8,658**	9,830
	31,578	31,526

There was no pledge of property, plant and equipment of the Group as at 31 December 2019 and 2018.

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As mentioned in Note 15 below, on 29 November 2019, the Group's subsidiary in Xiantao City, Hubei province, Mainland China entered into an agreement with Xiantao Land Reserve Center of the People's Government of Xiantao City to sell the subsidiary's land use rights and the property and production plants attached thereon to the government for a total compensation consideration of RMB82,300,000, of which RMB17,514,000 is attributable to the land use rights and the remaining RMB64,786,000 is attributable to property and production plants. The property and plants subject to the disposal with carring amounts totalled RMB29,928,000 as at the date of signing of the agreement on 29 November 2019 will cease depreciation since 29 November 2019 given that its anticipated recoverable amount from the compensation consideration is larger then the carrying amounts.

14 CONSTRUCTION-IN-PROGRESS

	2019 RMB'000	2018 RMB'000
At 1 January	**3,995**	2,628
Additions	**107,123**	1,990
Transfer from/(to) property, plant and equipment (Note 13)	**1,430**	(623)
Transfer to expense	**(473)**	—
At 31 December	**112,075**	3,995

15 LEASES (INCLUDING LAND USE RIGHTS)

As mentioned in Note 2(2) and Note 2(9) above, the Group changed its accounting policies for leases where the Group is a lessee pursuant to the adoption of HKFRS 16 Leases effective 1 January 2019. This note provides information for leases including land use rights, where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

	31 December 2019 RMB'000	**As at 1 January 2019** RMB'000	**31 December 2018** RMB'000
Right-of-use assets			
Buildings	4,894	1,657	—
Land use rights	67,707	43,980	—
	72,601	45,637	—
Land use rights	—	—	43,980
Lease liabilities			
Buildings			
— Current	1,976	935	—
— Non-current	3,110	722	—
	5,086	1,657	—

15 LEASES (INCLUDING LAND USE RIGHTS) *(Continued)*

(i) Amounts recognised in the consolidated balance sheet *(Continued)*

Movements in right-of-use assets in 2019 and land use rights in 2018 are analysed as follows:

	2019 Right-of-use assets			2018
	Buildings RMB'000	**Land use rights RMB'000**	**Total RMB'000**	Land use rights RMB'000
At 1 January	**1,657**	**43,980**	**45,637**	39,419
Additions	**5,478**	**26,960**	**32,438**	5,625
Modification of lease term (Note a)	**—**	**(1,689)**	**(1,689)**	—
Amortisation charges (Note 6)	**(2,241)**	**(1,544)**	**(3,785)**	(1,064)
At 31 December	**4,894**	**67,707**	**72,601**	43,980

Notes:

a. On 29 November 2019, the Group's subsidiary in Xiantao City, Hubei province, Mainland China entered into an agreement with Xiantao Land Reserve Center of the People's Government of Xiantao City, pursuant to the agreement the Group's subsidiary will sell its land use rights and the property and production plants attached thereon to the government for a total compensation consideration of RMB82,300,000, of which RMB17,514,000 is attributable to the land use rights and the remaining RMB64,786,000 is attributable to property and production plants. It is expected that the land use rights will be returned to the government by December 2021, accordingly, the lease terms of the land use rights are considered to be shortened from the previous ending by year 2053 and 2056 to ending around in two years by December 2021. This represented a modification of lease of land use rights with the government upon signing of the agreement pursuant to the application of HKFRS 16 Leases, and a gain on modification of RMB15,825,000, being the difference between the consideration of the disposal attributable to the land use rights of RMB17,514,000 and the decrease in the carrying amount of the land use rights by RMB1,689,000 due to shortened remaining lease period, was recognised in "Other income and other gains — net" (Note 8) during the year ended 31 December 2019.

b. As at 31 December 2019, certain land use rights of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China, with carrying amount of approximately RMB6,561,000 (2018: RMB6,709,000) were still in the process of applying for the ownership certificates.

c. As at 31 December 2019, the lessors of the Group's leased properties in Taian City, Shandong Province, Mainland China, with carrying amount of right-of-use assets of approximately RMB710,000 (2018: Nil) were still in the process of obtaining the relevant title documents to the properties.

15 LEASES (INCLUDING LAND USE RIGHTS) *(Continued)*

(ii) Amounts recognised in the consolidated income statement

	2019 Right-of-use assets			2018
	Buildings RMB'000	**Land use rights RMB'000**	**Total RMB'000**	Land use rights RMB'000
Amortisation charges (Note 6)				
Cost of goods sold	**947**	**—**	**947**	—
Distribution and selling expenses	**662**	**—**	**662**	—
Administrative expenses	**632**	**1,544**	**2,176**	1,064
	2,241	**1,544**	**3,785**	1,064
Interest expense (included in finance costs) (Note 9)			**213**	—
Operating lease expenses in respect of buildings (Note 6)			**2,560**	4,759
Total charges to income statement			**6,558**	5,823

The total cash outflow for leases in 2019 was RMB44,361,000.

(iii) The Group's leasing activities and how these are accounted for

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

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

16 INTANGIBLE ASSETS

	2019 RMB'000	2018 RMB'000
Computer software		
At 1 January		
Cost	**6,953**	6,789
Accumulated amortisation	**(3,195)**	(2,468)
Net book amount	**3,758**	4,321
Year ended 31 December		
Opening net book amount	**3,758**	4,321
Additions	**1,479**	164
Disposals (Note 8)	**(2,294)**	—
Amortisation for the year (Note 6)	**(764)**	(727)
Closing net book amount	**2,179**	3,758
At 31 December		
Cost	**2,324**	6,953
Accumulated amortisation	**(145)**	(3,195)
Net book amount	**2,179**	3,758

Amortisation of intangible assets has been charged to administrative expenses in the consolidated income statements.

17 PREPAYMENTS FOR NON-CURRENT ASSETS

The balance represented prepayments for purchase of property, plant and equipment and land use rights.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2019 RMB'000	2018 RMB'000
At 1 January	—	—
Additions during the year	5,000	—
Share of results	(1,891)	—
At 31 December	3,109	—

In July 2019, the Group invested RMB5,000,000 in Jinjiang Buzui Investment Partnership (Limited Partnership) (晉江不醉股權投資合夥企業(有限合夥)) ("**Jinjiang Buzui**"), a limited investment partnership newly established on 22 May 2019, as a limited partner and holds 99.8% of the equity interest in Jinjiang Buzui. The Group executes its rights as a limited partner and does not hold the management responsibilities of Jinjiang Buzui. The Group is regarded to be a able to exert significant influence on Jinjiang Buzui by virtue of the fact that the Group holds a significant equity holding in Jinjiang Buzui and is the single investor other then the founder, and accordingly the investment is accounted for as an associate of the Group. In August 2019, Jinjiang Buzui invested in Shanghai Buzui Wine Industry Co, Ltd. ("**Shanghai Buzui**"), which was established in March 2019, and holds 71.43% the equity interest in Shanghai Buzui. Shanghai Buzui is in the business of distribution and sale of sparkling and fruit wine.

The particulars of the associate of the Group as at 31 December 2019, which is accounted for using equity method, are set out as follows:

Name of entity	Place of business and date of establishment	% of ownership interest		Nature of relationship	Measurement method
		2019 %	2018 %		
Jinjiang Buzui Investment Partnership (Limited Partnership)	Mainland China 22 May 2019	99.8	—	Associate	Equity method

The directors of the Company consider that the associate as at 31 December 2019 was immaterial to the Group and thus the individual financial information of the associate was not disclosed.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Unlisted equity investments		
At 1 January	—	—
Additions	23,146	—
At 31 December	23,146	—

During the year ended 31 December 2019, the Group made equity investments in a number of consumer products companies with anticipated fast-growing potential and synergy with the Group's business. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price earning ratios and recent transaction prices of similar deals. The fair value measurement is categorised within level 3 of the fair value hierarchy (Note 3(3)).

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Note	2019 RMB'000	2018 RMB'000
Financial assets			
Financial assets at amortised cost			
— Trade receivables	22	5,614	9,049
— Other receivables, prepayments and deposits, excluding non-financial assets	22	20,015	5,260
— Cash and bank balances	23	732,033	566,085
FVOCI	19	23,146	—
		780,808	580,394
Financial liabilities			
Financial liabilities at amortised costs			
— Trade payables	27	47,884	56,616
— Other payables and accrued charges, excluding non-financial liabilities	27	61,132	56,206
Lease liabilities	15	5,086	—
		114,102	112,822

21 INVENTORIES

	2019 RMB'000	2018 RMB'000
Finished goods	**25,389**	17,715
Work-in-progress	**20,956**	32,510
Raw materials	**48,871**	47,593
Spare parts and consumables	**2,945**	3,939
	98,161	101,757

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB325,357,000 (2018: RMB395,401,000).

The Group recorded a provision for decline in value of inventories amounting to RMB902,000 (2018: a reversal of provision for decline in value of inventories, RMB582,000). These amounts have been included in cost of goods sold in the consolidated income statement (Note 6).

22 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	2019 RMB'000	2018 RMB'000
Trade receivables	**5,617**	9,143
Less: provision for impairment (Note 3(1)(ii)(b))	**(3)**	(94)
	5,614	9,049
Other receivables, prepayments and deposits		
Compensation for land use rights (Note 15)	**17,514**	—
Advance payments to suppliers	**8,887**	10,918
Prepayments for utility and other expenses	**3,411**	3,581
Value added tax recoverable (i)	**8,124**	6,475
Others	**2,501**	5,260
	40,437	26,234
Total	**46,051**	35,283

(i) The Group's distribution and sale of self-manufactured products are subject to value added tax ("**VAT**"). The applicable tax rate for domestic sales before 1 April 2019 was 16% and which was adjusted down to 13% from 1 April 2019. Input VAT from purchases of raw materials, certain fixed assets and utilities can be deducted from output VAT. VAT recoverable is the net difference between deductible input and output VAT.

22 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS *(Continued)*

The credit period ranges from 60 to 90 days (2018: 60 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2019 was as follows:

	2019 RMB'000	2018 RMB'000
Within 30 days	**2,299**	1,131
31 - 180 days	**1,382**	7,759
181 - 365 days	**1,936**	253
	5,617	9,143

There is no significant 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, other receivables, prepayments and deposits are due for settlement within one year, the carrying amount of the trade receivables, other receivables, prepayments and deposits approximate their fair value at the balance sheet date.

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**5,551**	8,839
Other currencies	**66**	304
	5,617	9,143

23 CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash on hand	**51**	59
Bank deposits		
— Call deposits	**365,032**	208,863
— Time deposits	**366,950**	357,163
Total	**732,033**	566,085

The cash and cash equivalents represented cash deposits held at call with banks and in hand and deposits with short-term maturity.

The carrying amounts of the cash and bank balances were denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**238,302**	78,109
USD	**242,716**	453,928
HKD	**250,373**	34,048
JPY	**642**	—
Total	**732,033**	566,085

The Group's bank deposits and cash denominated in RMB are mainly deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

24 SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 31 December 2018 and 31 December 2019	**1,000,000,000**	**10,000**

	Number of shares	Share capital RMB'000
Issued and fully paid:		
At 1 January 2018	475,696,557	4,097
Issue of shares during the year (Note a)	95,000,000	764
At 31 December 2018	570,696,557	4,861
Issue of shares during the year (Note b)	104,400,000	897
At 31 December 2019	**675,096,557**	**5,758**

(a) Pursuant to the subscription agreements dated 20 January 2018 entered into between the Company and the subscribers, an aggregate of 95,000,000 new shares of the Company with par value of HK$0.01 per share were issued at HK$2.11 per share to the subscribers on 6 February 2018. The net proceeds of the issue was HK$200.25 million (equivalent to approximately RMB161,039,000) and the amount of RMB764,000 and RMB160,275,000 (Note 26) were credited to share capital and share premium account in other reserves, respectively.

(b) Pursuant to the subscription agreements dated 22 March 2019 entered into between the Company and the subscribers, an aggregate of 104,400,000 new shares of the Company with par value of HK$0.01 per share were issued at HK$2.2 per share to the subscribers on 1 April 2019. The net proceeds of the issue was approximately HK$229.48 million (equivalent to approximately RMB196,792,000) and the amount of RMB897,000 and RMB195,895,000 (Note 26) were recorded under share capital and share premium account in other reserves, respectively.

25 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 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 were granted to two directors and certain employees of the Group pursuant to the Scheme. All Options were accepted by the grantees.

Movements in the number of Options outstanding and their exercise prices are as follows:

	Options granted on 16 August 2018	
	Exercise price per share	**Number of Options**
At 1 January 2018	**—**	**—**
Granted during the year	**HK$2.31**	**11,000,000**
Cancelled/lapsed during the year	**HK$2.31**	**(680,000)**
At 31 December 2018	**HK$2.31**	**10,320,000**
Cancelled/lapsed during the year	**HK$2.31**	**(2,700,000)**
At 31 December 2019	**HK$2.31**	**7,620,000**

	Options granted on 6 June 2017	
	Exercise price per share	Number of Options
At 1 January 2018	HK$2.56	8,810,000
Cancelled/lapsed during the year	HK$2.56	(1,810,000)
At 31 December 2018	HK$2.56	7,000,000
Cancelled/lapsed during the year	HK$2.56	(1,650,000)
At 31 December 2019	HK$2.56	5,350,000
Total options granted		12,970,000

25 SHARE OPTION SCHEME *(Continued)*

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Exercisable Date	Expiry date	Exercise price	Number of Options	
				2019	2018
6 June 2017	7 June 2019	6 June 2022	HK$2.56	**2,675,000**	3,500,000
6 June 2017	7 June 2020	6 June 2022	HK$2.56	**2,675,000**	3,500,000
16 August 2018	17 August 2020	16 August 2023	HK$2.31	**3,810,000**	5,160,000
16 August 2018	17 August 2021	16 August 2023	HK$2.31	**3,810,000**	5,160,000
Total				**12,970,000**	17,320,000

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 year ended 31 December 2019 amounted to RMB484,000 (2018: RMB3,115,000) (Note 6), and the remaining unamortised fair value of share options granted of approximately RMB1,946,000 (2018: RMB6,782,000) will be charged to the consolidated income statement in the future.

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

	Options Granted on 6 June 2017	Options Granted on 16 August 2018
Grant date share price	HK$2.56	HK$2.29
Exercise price	HK$2.56	HK$2.31
Expected life	5 years	5 years
Expected volatility (Note a)	33%	34%
Risk-free rate (Note b)	0.94%	2.06%
Dividend yield (Note c)	1.49%	1.91%

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.

26 OTHER RESERVES

	Share premium RMB'000	Other reserve RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2019	**271,344**	**(115,044)**	**191,520**	**3,594**	**4,337**	**355,751**
Appropriation to statutory reserves	**—**	**—**	**1,101**	**—**	**—**	**1,101**
Issue of ordinary shares (Note 24)	**195,895**	**—**	**—**	**—**	**—**	**195,895**
Equity-settled share option arrangement (Note 25)	**—**	**—**	**—**	**—**	**484**	**484**
At 31 December 2019	**467,239**	**(115,044)**	**192,621**	**3,594**	**4,821**	**553,231**
At 1 January 2018	111,069	(115,044)	186,930	3,594	1,222	187,771
Appropriation to statutory reserves	—	—	4,590	—	—	4,590
Issue of ordinary shares (Note 24)	160,275	—	—	—	—	160,275
Equity-settled share option arrangement (Note 25)	—	—	—	—	3,115	3,115
At 31 December 2018	271,344	(115,044)	191,520	3,594	4,337	355,751

Statutory reserves comprise statutory surplus reserve of the subsidiary companies in Mainland China. The Company's subsidiaries incorporated in Mainland China are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the accounting regulations and before distribution to shareholders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations at rate of 10% or at the discretion of the Board of Directors of the subsidiaries, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

27 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	2019 RMB'000	2018 RMB'000
Trade payables	**47,884**	56,616
Other payables and accrued charges		
Payables for purchase of property, plant and equipment	**13,934**	14,316
Staff salaries payables	**37,804**	43,647
Taxes payables	**1,457**	1,210
Accrued expenses and others payables	**47,198**	41,890
	100,393	101,063
Total	**148,277**	157,679

At 31 December 2019, the ageing analysis of trade payables based on invoice date was as follows:

	2019 RMB'000	2018 RMB'000
Within 30 days	**43,338**	40,072
31 - 180 days	**4,500**	15,891
181 - 365 days	**—**	190
Over 365 days	**46**	463
	47,884	56,616

The carrying amounts of trade payables, other payables and accrued charges approximate their fair value as at the balance sheet date due to short-term maturity.

The carrying amounts of trade payables were denominated in RMB.

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	2019 RMB'000	2018 RMB'000
Deferred income tax assets		
— Deferred income tax asset to be recovered after more than 12 months	**20,148**	15,260
— Deferred income tax asset to be recovered within 12 months	**8,581**	9,332
	28,729	24,592
Deferred income tax liabilities		
— Deferred income tax liability to be settled after more than 12 months	**(4,953)**	(242)

The net movements on the deferred income tax account are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of the year	**24,350**	19,535
(Charged)/credited to consolidated income statement (Note 10)	**(574)**	4,815
At end of the year	**23,776**	24,350

28 DEFERRED INCOME TAX *(Continued)*

The movements in the deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets:

	Accrued expense and provisions		Temporary differences attributable to right-of-use assets		Unrealised profit in inventories arising from intra-group transactions		Tax losses		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
At beginning of the year	**8,602**	6,331	**—**	—	**729**	1,532	**15,261**	11,672	**24,592**	19,535
Credited/(charged) to consolidated income statement	**(863)**	2,271	**3,009**	—	**113**	(803)	**1,878**	3,589	**4,137**	5,057
At end of the year	**7,739**	8,602	**3,009**	—	**842**	729	**17,139**	15,261	**28,729**	24,592

Deferred income tax liabilities:

	Withholding income tax on unremitted earnings in subsidiaries in Mainland China		Temporary differences attributable to property, plant and equipment and right-of-use assets		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
At beginning of the year	**242**	—	**—**	—	**242**	—
Charged to consolidated income statement	**638**	242	**4,073**	—	**4,711**	242
At end of the year	**880**	242	**4,073**	—	**4,953**	242

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2018 and 2019, the Group recognise all cumulative deferred income tax assets in respect of losses that can be carried forward against future taxable income. These unutilised tax losses would expire in one to five years for offsetting against future taxable profits.

As at 31 December 2019, deferred income tax liabilities of RMB3,520,000 (2018: RMB2,129,000) have not been recognised for the withholding income tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaled RMB70,392,000 (2018: RMB42,576,000). Such unremitted earnings will be retained in Mainland China for investment purpose in the foreseeable future as at 31 December 2019.

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2019 RMB'000	2018 RMB'000
Profit before income tax	**104,355**	39,031
Depreciation of property, plant and equipment (Note 13)	**31,578**	31,526
Amortisation of right-of-use assets/land use rights (Note 15)	**3,785**	1,064
Amortisation of intangible assets (Note 16)	**764**	727
(Gains)/losses on disposal of property, plant and equipment (Note 8)	**(5,073)**	6,329
Gains on modification of lease period of land use rights (Note 8)	**(15,825)**	—
Losses on disposal of software (Note 8)	**2,294**	—
Share of net loss of investments accounted for using the equity method (Note 18)	**1,891**	—
Equity-settled share-based payment expense (Note 25)	**484**	3,115
Finance income	**(30,065)**	(35,802)
Operating profit before working capital changes	**94,188**	45,990
Decrease/(increase) in inventories	**3,596**	(189)
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits	**2,765**	(6,224)
Increase in trade payables, other payables and accrued charges, and contract liabilities	**20,836**	58,481
Cash generated from operations	**121,385**	98,058

(b) Proceeds from disposal of property, plant and equipment

	2019 RMB'000	2018 RMB'000
Net book value (Note 13)	**4,551**	11,023
Gains/(losses) on disposal of property, plant and equipment (Note 8)	**5,073**	(6,329)
Proceeds from disposal of property, plant and equipment	**9,624**	4,694

30 CONTINGENT LIABILITIES

At 31 December 2019, the Group had no material contingent liabilities (2018: Nil).

31 COMMITMENTS

As at 31 December 2019 and 2018, the Group had the following commitments:

(a) Capital commitments

	2019 RMB'000	2018 RMB'000
Contracted but not provided for in respect of:		
Machinery and equipment	**24,408**	4,863
Buildings and land use rights	**63,773**	421
	88,181	5,284

(b) Other commitments

As at 31 December 2019 and 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases and other non-cancellable contracts as follows:

	2019 RMB'000	2018 RMB'000
Not later than 1 year	**1,785**	2,636
Later than 1 year and not later than 5 years	**1,085**	1,190
	2,870	3,826

32 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 years.

(a) Transactions with related parties

	2019 RMB'000	2018 RMB'000
Lease of offices		
— Lianjie Sports Investments Limited ("**Lianjie Sports**")	**421**	405
— Lianjie Investments Group Limited ("**Lianjie Investments**")	**525**	—
	946	405

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

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

32 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	2019 RMB'000	2018 RMB'000
Key management compensation — Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,197**	3,220

Further details of directors' and the chief executive's emoluments are included in Note 35 to the consolidated financial statements

33 PRINCIPAL SUBSIDIARIES

The following is a list of the subsidiaries of the Company as at 31 December 2019:

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Direct subsidiary:				
QinQin Foodstuffs Group Company Limited	British Virgin Island, limited liability company	Investment holding in Hong Kong	135,946,900 Ordinary shares of HKD0.001 each	100%
Xiaogan QinQin (Hong Kong) Company Limited (孝感親親(香港)有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1,000	100%
Indirect subsidiaries:				
QinQin Foodstuffs Group (Hong Kong) Company Limited (親親食品集團(香港)股份有限公司)	Hong Kong, limited liability company	Investment holding, distribution and sale of snack foods in Hong Kong	HKD1	100%
QinQin F&B (China) Investments Co., Ltd (親親(中國)投資有限公司)	Mainland China, wholly foreign-owned enterprise	Investment holding in Mainland China	USD50,000,000	100%
Fushun Nanfang Food Industry Co., Ltd. (撫順南方食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB10,000,000	100%

33 PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Indirect subsidiaries: *(Continued)*				
Fushun QinQin Food Industry Development Co., Ltd.(撫順親親食品工業發展有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB22,000,000	100%
Luohe Linying QinQin Food Industry Co., Ltd. (漯河臨潁親親食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB100,000,000	100%
Fujian QinQin Holdings Co., Ltd. (福建親親股份有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB93,680,000	100%
Quanzhou QinQin Foodstuff Co., Ltd. (泉州親親食品有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	RMB130,000,000	100%
Taian QinQin Food Co., Ltd. (泰安親親食品有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB5,000,000	100%
Xiantao QinQin Food Industry Co., Ltd. (仙桃親親食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB10,000,000	100%
Xiantao QinQin Flavour Commerce Co., Ltd. (仙桃市親親調料商貿有限公司)	Mainland China, limited liability company*	Trading in Mainland China	RMB10,000,000	100%

33 PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Indirect subsidiaries: *(Continued)*				
Xianyang QinQin Food Industry Co., Ltd. (咸陽親親食品有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	RMB5,000,000	100%
QinQin Business Trade Co., Ltd. (泉州親親商貿有限公司)	Mainland China, limited liability company*	Trading in Mainland China	RMB5,000,000	100%
QinQin (Quanzhou) E-commerce Co., Ltd. (泉州市親親電子商務有限公司)	Mainland China, limited liability company*	Online trading in Mainland China	RMB5,000,000	100%
Xiaogan QinQin F&B Co., Ltd. (孝感親親食品有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of food and beverage products in Mainland China	USD6,000,000	100%
Xiaogan QinQin Biotechnology Co., Ltd. (孝感親親生物科技有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of food and beverage products in Mainland China	USD24,000,000	100%
Xiantao QinQin Food Technology Co., Ltd. (仙桃市親親食品科技有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	USD10,000,000	100%
Jining QinQin Food Technology Co., Ltd. (濟寧市親親食品科技有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	USD10,000,000	100%
Shin Shin Investments Company Limited (親親投資株式會社)	Japan, limited liability company	Investment holding, distribution and sale of snack foods in Japan	JPY10,000,000	100%

* Registered as a subsidiary of a Mainland China registered enterprise under PRC law.

34 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**120,609**	120,125
Current assets			
Other receivables, prepayments and deposits		**325,390**	59,102
Cash and bank balances		**29,732**	89,497
		355,122	148,599
Total assets		**475,731**	268,724
Equity			
Share capital	24	**5,758**	4,861
Reserves		**469,973**	263,863
Total equity		**475,731**	268,724
Liabilities		**—**	—
Total equity and liabilities		**475,731**	268,724

The balance sheet of the Company was approved by the Board of Directors on 25 March 2020 and was signed on its behalf.

Hui Ching Lau
Director

Wong Wai Leung
Director

34 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY *(Continued)*

(b) Reserves movements of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2018	111,069	(22,670)	1,222	89,621
Profit for the year	—	10,852	—	10,852
Issue of ordinary shares (Note 24)	160,275	—	—	160,275
Equity-settled share option arrangement (Note 25)	—	—	3,115	3,115
At 31 December 2018	271,344	(11,818)	4,337	263,863
At 1 January 2019	**271,344**	**(11,818)**	**4,337**	**263,863**
Profit for the year	**—**	**9,731**	**—**	**9,731**
Issue of ordinary shares (Note 24)	**195,895**	**—**	**—**	**195,895**
Equity-settled share option arrangement (Note 25)	**—**	**—**	**484**	**484**
At 31 December 2019	**467,239**	**(2,087)**	**4,821**	**469,973**

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2019 is set out below:

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Share-based compensation RMB'000	Pension, housing fund allowances, medical insurance and other social benefits RMB'000	Total RMB'000
Executive Directors:					
Mr. Hui Ching Lau *(Chairman)*	53	—	—	3	56
Mr. Zhu Hong Bo (Note)	41	1,400	15	16	1,472
Mr. Wong Wai Leung	53	1,381	9	16	1,459
Non-executive Directors:					
Mr. Hui Lin Chit	53	—	—	—	53
Mr. Sze Man Bok	53	—	—	—	53
Mr. Wu Huolu	53	—	—	—	53
Mr. Wu Sichuan	53	—	—	6	59
Mr. Wu Yinhang	53	—	—	7	60
Independent Non-executive Directors:					
Mr. Cai Meng	88	—	—	—	88
Mr. Chan Yiu Fai Youdey	88	—	—	—	88
Mr. Ng Swee Leng	88	—	—	—	88
Mr. Paul Marin Theil	88	—	—	—	88
	764	2,781	24	48	3,617

Note: Mr. Zhu Hong Bo resigned as a director of the Company on 14 October 2019.

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive for the year ended 31 December 2018 is set out below:

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Share-based compensation RMB'000	Pension, housing fund allowances, medical insurance and other social benefits RMB'000	Total RMB'000
Executive Directors:					
Mr. Hui Ching Lau *(Chairman)*	51	—	—	3	54
Mr. Zhu Hong Bo	51	625	33	16	725
Mr. Wong Wai Leung	51	1,020	38	15	1,124
Non-executive Directors:					
Mr. Hui Lin Chit	51	—	—	—	51
Mr. Sze Man Bok	51	—	—	—	51
Mr. Wu Huolu	51	—	—	—	51
Mr. Wu Sichuan	51	—	—	6	57
Mr. Wu Yinhang	51	—	—	7	58
Independent Non-executive Directors:					
Mr. Cai Meng	85	—	—	—	85
Mr. Chan Yiu Fai Youdey	85	—	—	—	85
Mr. Ng Swee Leng	85	—	—	—	85
Mr. Paul Marin Theil	85	—	—	—	85
	748	1,645	71	47	2,511

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed elsewhere in this consolidated financial statements, no significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

36 EVENTS AFTER THE BALANCE SHEET DATE

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including but not limited to, extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over people travelling and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. It may have a temporary impact on the Group's transportation and production cost in some regions, but not to the extent of material. As at the date on which this set of financial statements was authorised for issue, the Group was not aware of any material effect on the financial statements of the Group as a result of the COVID-19 outbreak.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)	(Note a)	(Note a)	(Note a)	(Note b)
Revenue	**690,852**	761,819	727,257	980,902	1,020,051
Profit/(loss) before income tax	**104,355**	39,031	(2,256)	57,449	87,821
Income tax expense	**(23,168)**	(6,271)	(4,280)	(25,927)	(24,069)
Profit/(loss) for the year, all attributable to shareholders of the Company	**81,187**	32,760	(6,536)	31,522	63,752

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)	(Note a)	(Note a)	(Note a)	(Note b)
Total assets	**1,369,574**	1,050,718	792,863	894,854	775,000
Total liabilities	**222,814**	182,421	121,480	218,157	129,766
Equity attributable to shareholders of the Company	**1,146,760**	868,297	671,383	676,697	645,234

Notes

(a) The financial figures were extracted from the consolidated financial statements in the annual report.

(b) The financial figures were extracted from the Listing Document dated 24 June 2016

The summary above does not form part of the audited consolidated financial statements in the annual report.