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## **Q P GROUP HOLDINGS LIMITED**

**雋思集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1412)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **2021 INTERIM RESULTS HIGHLIGHT**

- For the six months ended 30 June 2021 (“**6M2021**”), Q P Group Holdings Limited (the “**Company**”) and its subsidiaries’ (collectively, the “**Group**”) total revenue was approximately HK\$589.6 million, representing an increase of approximately HK\$84.0 million or about 16.6% as compared with that of approximately HK\$505.6 million for the six months ended 30 June 2020 (“**6M2020**”). For 6M2021, revenue generated from original equipment manufacturer (“**OEM**”) sales and web sales contributed 84.2% and 15.8% of the total revenue, respectively.
- For 6M2021, the Group’s profit attributable to equity holders of the Company was approximately HK\$32.5 million, representing a decrease of approximately 17.2% as compared with that of 6M2020. Without taking into account the non-recurring listing expenses for 6M2020, the net profit would be decreased by approximately 19.6% for 6M2021 as compared with that of 6M2020.
- Basic earnings per share of the Company for 6M2021 were approximately HK6.11 cents (6M2020: HK7.53 cents).
- The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company has resolved to declare an interim dividend of HK2.0 cents per share for 6M2021 (6M2020: HK2.0 cents).

The Board announces the unaudited interim condensed consolidated results of the Group for 6M2021, together with comparative figures, as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>589,579</b>	505,586
Cost of sales	8	<b>(410,992)</b>	(344,227)
<b>Gross profit</b>		<b>178,587</b>	161,359
Other (losses)/gains, net	6	(577)	258
Other income, net	7	<b>11,066</b>	6,075
Selling and distribution expenses	8	<b>(62,222)</b>	(45,610)
Administrative expenses	8	<b>(86,569)</b>	(72,031)
<b>Operating profit</b>		<b>40,285</b>	50,051
Finance income	9	<b>726</b>	1,384
Finance costs	9	<b>(735)</b>	(2,691)
Finance costs, net		<b>(9)</b>	(1,307)
<b>Profit before income tax</b>		<b>40,276</b>	48,744
Income tax expense	10	<b>(7,763)</b>	(9,495)
<b>Profit for the period</b>		<b>32,513</b>	39,249
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
— Basic and diluted earnings per share (expressed in HK cents per share)	11	<b>6.11</b>	7.53
<b>Other comprehensive income/(loss), net of tax:</b>			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<b>5,203</b>	(10,764)
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		<b>37,716</b>	28,485

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	As at <b>30 June 2021</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	382,804	383,082
Investment property		2,135	2,135
Right-of-use assets		124,935	122,130
Intangible assets		29,664	28,407
Deposits		39,324	33,842
Deferred income tax assets		10,587	8,390
		<u>589,449</u>	<u>577,986</u>
<b>Current assets</b>			
Inventories		139,742	93,680
Trade receivables	14	190,750	233,248
Prepayments, deposits and other receivables		38,502	35,089
Derivative financial instruments		5,667	3,866
Income tax recoverable		233	124
Cash and cash equivalents		155,591	236,670
		<u>530,485</u>	<u>602,677</u>
<b>Total assets</b>		<u><u>1,119,934</u></u>	<u><u>1,180,663</u></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	17	5,320	5,320
Share premium		139,593	139,593
Reserves		613,330	639,454
<b>Total equity</b>		<u><u>758,243</u></u>	<u><u>784,367</u></u>

		As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	—	7,456
Deferred income tax liabilities		<b>16,843</b>	16,598
Lease liabilities		<b>1,273</b>	2,031
		<u><b>18,116</b></u>	<u>26,085</u>
<b>Current liabilities</b>			
Trade payables	16	<b>118,293</b>	122,423
Accruals, provisions and other payables		<b>112,311</b>	135,451
Current income tax liabilities		<b>33,811</b>	28,881
Borrowings	15	<b>76,274</b>	80,080
Lease liabilities		<b>2,886</b>	3,376
		<u><b>343,575</b></u>	<u>370,211</u>
<b>Total liabilities</b>		<u><b>361,691</b></u>	<u>396,296</u>
<b>Total equity and liabilities</b>		<u><b>1,119,934</b></u>	<u>1,180,663</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of paper products.

The Company was incorporated in the Cayman Islands on 19 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's shares were listed on The Stock Exchange of Hong Kong Limited on 16 January 2020.

The interim condensed consolidated financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2021 and currently relevant to the Group:

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, “Interest Rate Benchmark Reform”

The adoption of these new and amended standards did not have significant impacts on the Group’s results and financial position and did not require retrospective adjustments.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023

The Group is still assessing the impacts of adopting these new standards and amendments in future reporting periods and on foreseeable future transactions.

## 4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

## 5 REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sales of paper and other products	<b><u>589,579</u></b>	<b><u>505,586</u></b>

Sales of goods are recognised at the point in time when a group entity has delivered products to customers and fulfilled all the performance obligations as stipulated in the sales contracts.

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used for making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Group. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of gross profit for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as the consolidated financial statements for the year ended 31 December 2020.

The management has identified two reportable segments based on sales channels, namely (i) web sales and (ii) OEM sales.

The segment information provided to the executive directors for the six months ended 30 June 2021 and 2020 are as follows:

	<b>Six months ended 30 June 2021</b>		
	<b>Web sales</b>	<b>OEM sales</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Segment revenue from external customers	<b>93,165</b>	<b>496,414</b>	<b>589,579</b>
Cost of sales	<b>(25,131)</b>	<b>(385,861)</b>	<b>(410,992)</b>
Gross profit	<b>68,034</b>	<b>110,553</b>	<b>178,587</b>
Other losses, net			<b>(577)</b>
Other income, net			<b>11,066</b>
Selling and distribution expenses			<b>(62,222)</b>
Administrative expenses			<b>(86,569)</b>
Finance costs, net			<b>(9)</b>
Profit before income tax			<b>40,276</b>
Income tax expense			<b>(7,763)</b>
Profit for the period			<b><u>32,513</u></b>

	Six months ended 30 June 2020		
	Web sales	OEM sales	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue from external customers	67,974	437,612	505,586
Cost of sales	<u>(19,311)</u>	<u>(324,916)</u>	<u>(344,227)</u>
Gross profit	48,663	112,696	161,359
Other gains, net			258
Other income, net			6,075
Selling and distribution expenses			(45,610)
Administrative expenses			(72,031)
Finance costs, net			<u>(1,307)</u>
Profit before income tax			48,744
Income tax expense			<u>(9,495)</u>
Profit for the period			<u><u>39,249</u></u>

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	<b>151,904</b>	133,397
Customer B	<b><u>108,618</u></b>	<b><u>137,265</u></b>

Revenue from external customers by location, based on the destination of delivery are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
The United States of America	<b>406,414</b>	341,619
Europe	<b>102,649</b>	86,198
The PRC (including Hong Kong)	<b>42,480</b>	44,351
Others	<b>38,036</b>	33,418
	<u><b>589,579</b></u>	<u>505,586</u>

Non-current assets, other than deferred income tax assets, are located as follows:

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	
The PRC (including Hong Kong)	<b>554,952</b>	569,596
Vietnam	<b>23,910</b>	—
	<u><b>578,862</b></u>	<u>569,596</u>

## **6 OTHER (LOSSES)/GAINS, NET**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other (losses)/gains, net</b>		
Foreign exchange (loss)/gain	<b>(3,820)</b>	670
Fair value gain on derivative financial instruments	<b>3,458</b>	—
Loss on disposal of property, plant and equipment	<b>(215)</b>	(412)
	<u><b>(577)</b></u>	<u>258</u>

## 7 OTHER INCOME, NET

Six months ended 30 June  
**2021**                      2020  
*HK\$'000*                      *HK\$'000*  
(Unaudited)                      (Unaudited)

### Other income, net

Rental income	25	24
Sale of scrap materials	7,425	4,587
Insurance claims	40	—
Government grants	2,902	1,242
Others	674	222
	<u>11,066</u>	<u>6,075</u>

## 8 EXPENSES BY NATURE

Six months ended 30 June  
**2021**                      2020  
*HK\$'000*                      *HK\$'000*  
(Unaudited)                      (Unaudited)

Raw materials and consumables used	235,786	170,069
Changes in inventories of finished goods and work in progress	(35,408)	14,843
Reversal of provision of inventory obsolescence	(2,272)	(864)
Employee benefit expenses (including directors' emoluments)	165,584	132,178
Sub-contracting charges	69,161	52,813
Transportation expenses	34,637	22,142
Depreciation of property, plant and equipment	24,592	21,143
Electricity expenses	8,915	7,424
Repair and maintenance expenses	7,510	6,070
Sales commission	4,926	2,476
Service charges of payment gateways	3,556	2,672
Amortisation of right-of-use assets	3,433	3,428
Technical maintenance support	3,182	1,785
Legal and professional fee	2,726	2,157
Auditor's remuneration		
— Audit services	825	800
— Non-audit services	500	400
Lease expenses	293	202
Amortisation of intangible assets	231	174
Listing expenses	—	1,166
Others	31,606	20,790
	<u>559,783</u>	<u>461,868</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>559,783</u>	<u>461,868</u>

## 9 FINANCE COSTS, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Finance income</b>		
Bank interest income	<u>726</u>	<u>1,384</u>
<b>Finance costs</b>		
Interest expense on bank borrowings	(663)	(2,632)
Interest expense on lease liabilities	<u>(72)</u>	<u>(59)</u>
	<u>(735)</u>	<u>(2,691)</u>
<b>Finance costs, net</b>	<u>(9)</u>	<u>(1,307)</u>

## 10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	9,790	11,308
Deferred income tax	<u>(2,027)</u>	<u>(1,813)</u>
	<u>7,763</u>	<u>9,495</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2021 and 2020.

The subsidiaries established and operated in the PRC are subject to the PRC Corporate Income Tax at the rate of 25% during the six months ended 30 June 2021 and 2020.

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiary, Dongguan Zensee Printing Limited (東莞雋思印刷有限公司) was accredited as a high-tech enterprise, and is entitled to the preferential tax rate of 15% for three years since 2017. The company renewed the accreditation of high-tech enterprise for three years since 2020.

Pursuant to the relevant laws and regulations in the PRC, certain entities of the Group qualified as small-scale and marginal profit enterprises. As a result, they were entitled to a preferential tax rate of 2.5% and 10% during the six months ended 30 June 2021 and at 5% and 10% during the six months ended 30 June 2020.

The subsidiary established and operated in Vietnam is subject to Vietnam Corporate Income Tax at the rate of 20% during the six months ended 30 June 2021.

Pursuant to the laws and regulations of the British Virgin Islands (“BVI”) and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands during the six months ended 30 June 2021 and 2020.

## **11 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of approximately HK\$32,513,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$39,249,000), and the weighted average number of ordinary shares in issue was 532,000,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: 521,038,462).

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

The calculations of basic and diluted earnings per share are based on:

## Earnings

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company, used in the basic and diluted earnings per share calculations	<u>32,513</u>	<u>39,249</u>

## Shares

	Number of shares	
	Six months ended 30 June	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations	<u>532,000</u>	<u>521,038</u>

## 12 DIVIDENDS

During the six months ended 30 June 2021, a final dividend in respect of the year ended 31 December 2020 of HK12.0 cents per ordinary share, amounting to a total dividend of HK\$63,840,000 was declared and paid to the owners of the Company.

On 27 August 2021, the Board has resolved to declare an interim dividend of HK2.0 cents per ordinary share, amounting to a total dividend of HK\$10,640,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: an interim dividend of HK2.0 cent per ordinary share, amounting to a total dividend of HK\$10,640,000 was declared and paid to the owners of the Company).

### 13 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group purchased property, plant and equipment with a total cost of approximately HK\$21,789,000 (six months ended 30 June 2020: approximately HK\$15,823,000).

During the six months ended 30 June 2021, the Group disposed property, plant and equipment with a net book value of approximately HK\$326,000 (six months ended 30 June 2020: approximately HK\$590,000).

### 14 TRADE RECEIVABLES

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000</b>
Trade receivables	<b><u>190,750</u></b>	<b><u>233,248</u></b>

Trade receivables represent goods sold to third parties. The credit terms granted by the Group are generally 30 to 90 days.

As at 30 June 2021 and 31 December 2020, the aging analysis of the trade receivables, based on invoice date, were as follows:

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000</b>
Within 30 days	<b>92,698</b>	99,497
31–60 days	<b>52,437</b>	74,064
61–90 days	<b>34,099</b>	32,854
Over 90 days	<b><u>11,516</u></b>	<u>26,833</u>
	<b><u>190,750</u></b>	<b><u>233,248</u></b>

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables. The Group does not hold any collateral as security.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the reporting periods, the expected losses for customers of sales of goods is minimal, given there is no history of significant defaults from customers and no adverse change is anticipated in the future business environment. No provision for impairment of trade receivables has been made throughout the reporting periods.

The carrying amounts of trade receivables approximate their fair values as at 30 June 2021 and 31 December 2020.

The Group's trade receivables were denominated in the following currencies:

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i>
United States dollar (“US\$”)	<b>104,798</b>	139,042
HK\$	<b>80,341</b>	88,844
Renminbi (“RMB”)	<b>4,819</b>	5,156
Euro (“EUR”)	<b>152</b>	175
Others	<b>640</b>	31
	<b><u>190,750</u></b>	<b><u>233,248</u></b>

## 15 BORROWINGS

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i>
Bank borrowings	<b>76,274</b>	87,536
Less: amounts due on demand or within one year shown under current liabilities	<b><u>(76,274)</u></b>	<b><u>(80,080)</u></b>
Non-current portion	<b><u>—</u></b>	<b><u>7,456</u></b>

As at 30 June 2021 and 31 December 2020, borrowings of approximately HK\$58,090,000 and HK\$24,773,000 respectively were subject to repayable on demand clause.

As at 30 June 2021 and 31 December 2020, the Group's borrowings were repayable as follows:

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000
Within 1 year	<b>56,406</b>	58,545
Between 1 and 2 years	<b>3,232</b>	10,700
Between 2 and 5 years	<b>9,757</b>	9,773
Over 5 years	<b>6,879</b>	8,518
	<b><u>76,274</u></b>	<b><u>87,536</u></b>

The above amounts due are based on the respective scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The effective interest rates of the above loans (per annum) as at 30 June 2021 and 31 December 2020 were as follows:

	<b>As at 30 June 2021 (Unaudited)</b>	As at 31 December 2020
Bank borrowings	<b>1-month HIBOR plus 1%–2%</b>	1-month/ 3-month HIBOR plus 1%–2%

As at 30 June 2021 and 31 December 2020, the borrowings were pledged by certain assets with carrying values shown below:

	<b>As at 30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i>
Right-of-use assets	<b>58,478</b>	59,112
Property, plant and equipment	<b>34,212</b>	35,020
	<b><u>92,690</u></b>	<b><u>94,132</u></b>

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2021 and 31 December 2020.

The Group's borrowings were denominated in HK\$.

## 16 TRADE PAYABLES

	<b>As at 30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i>
Trade payables	<b><u>118,293</u></b>	<b><u>122,423</u></b>

As at 30 June 2021 and 31 December 2020, the aging analysis of the trade payables, based on invoice date, were as follows:

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000
Within 30 days	<b>71,975</b>	63,335
31–60 days	<b>25,167</b>	33,086
61–90 days	<b>17,848</b>	17,288
Over 90 days	<b>3,303</b>	8,714
	<b><u>118,293</u></b>	<u>122,423</u>

The carrying amounts of trade payables approximate their fair values as at 30 June 2021 and 31 December 2020.

The Group's trade payables were denominated in the following currencies:

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000
RMB	<b>94,850</b>	94,131
HK\$	<b>19,066</b>	21,380
US\$	<b>3,065</b>	6,684
Others	<b>1,312</b>	228
	<b><u>118,293</u></b>	<u>122,423</u>

## 17 SHARE CAPITAL

	As at 30 June 2021 <i>Number of shares</i> (Unaudited)	As at 31 December 2020 <i>Number of shares</i>	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i>
<b>Authorised:</b>				
At beginning and end of the period/year	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>20,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>				
At beginning of the period/year	532,000,000	77,400	5,320	1
Paid up of capital	—	77,400	—	1
Capitalisation issue ( <i>note a</i> )	—	398,845,200	—	3,988
New issue of shares from Global Offering ( <i>note b</i> )	—	133,000,000	—	1,330
At end of the period/year	<u>532,000,000</u>	<u>532,000,000</u>	<u>5,320</u>	<u>5,320</u>

*Notes:*

- a. Pursuant to a written resolution of the then Shareholders, a total of 398,845,200 shares of HK\$0.01 each were allotted and issued at par value to the then Shareholders immediately before the listing of the Company's shares on 16 January 2020 by way of capitalisation of HK\$3,988,452 from the Company's share premium account on 16 January 2020 (the "**Listing Date**").
- b. On 16 January 2020, 133,000,000 new shares were issued at a price of HK\$1.18 per share in connection with the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Corporate Profile

The Group is a long-established paper product manufacturing and printing services provider. Headquartered in Hong Kong, we operate two key production plants at Dongguan and Heshan in Guangdong Province of the People's Republic of China (the "PRC"), with the capability to offer value-adding and customised product engineering services and printing solutions to our customers for a wide spectrum of products. We have over 30 years of operating history, and have established stable business relationships with our major customers in the United States of America (the "U.S.") and countries in Europe.

Our principal product categories are tabletop games, greeting cards, educational items and premium packaging. Our products are sold to (i) OEM customers who generally order mass quantities for direct sales and distribution through their own sales network; and (ii) individual and corporate customers who generally order smaller quantities through online sales channels. Our major OEM customers include an international greeting cards publisher, and multinational children educational products and toys brands.

### Business Overview

During the reporting period, COVID-19 continued to pose extensive adverse effects to the globe, whereas there also have been signs of recovery of the global economy and resumption of retail activities thanks to the effective disease control measures and growing vaccination rates. We are pleased to see the steadily rising demand for our tabletop games and greeting cards, two of our key products, during the reporting period in our major markets, extending the momentum of strong growth in tabletop games sales since the outbreak of COVID-19. On the other hand, the global supply chain had been massively disrupted by shortage of containers and port congestion problems, which were partially caused by the blockage of the Suez Canal earlier this year as well as the restricted operations of ports in South China due to implementation of more stringent COVID-19 control measures. The surging demand for export from the PRC to the western countries attributable to the recovery from the COVID-19-driven economic downturn has put further stress on the container shipping capacity, causing widespread shipping delays in the second quarter of 2021. As the U.S. and European markets are the Group's primary destinations of delivery, such disruption has affected our order fulfilment and hence the realisation of sales revenue and financial performance. Amid all the challenges and uncertainties in the macro environment, the Group posted a net profit of HK\$32.5 million during 6M2021, representing a decrease of approximately 17.2% from approximately HK\$39.2 million for 6M2020, with a decrease in net profit margin to approximately 5.5% for 6M2021 from approximately 7.8% for 6M2020.

The Group recorded revenue of approximately HK\$589.6 million for 6M2021, representing an increase of approximately 16.6% from approximately HK\$505.6 million for 6M2020, which was mainly attributable to the increase in OEM sales. The revenue derived from OEM sales recorded an increase of approximately HK\$58.8 million or 13.4% from approximately HK\$437.6 million for 6M2020 to approximately HK\$496.4 million for 6M2021.

E-commerce in different sectors has surged since the outbreak of COVID-19. Many consumers have changed their spending habits to online platforms. Leveraging our well-developed web sales platforms, reputable product quality and extensive customer base, our web sales business continued to succeed in capitalising on the e-commerce boom. During 6M2021, our web sales business yielded a remarkable increase in revenue by approximately HK\$25.2 million or 37.1% from approximately HK\$68.0 million for 6M2020 to approximately HK\$93.2 million for 6M2021. The number of active registered user accounts, which refers to the number of registered user accounts with order(s) placed in our five major websites namely [www.makeplayingcards.com](http://www.makeplayingcards.com), [www.boardgamesmaker.com](http://www.boardgamesmaker.com), [www.createjigsawpuzzles.com](http://www.createjigsawpuzzles.com), [www.printerstudio.com](http://www.printerstudio.com) and [www.gifthing.com](http://www.gifthing.com), also increased by approximately 12.3% from approximately 47,900 as at 31 December 2020 to approximately 53,800 as at 30 June 2021.

## **Future Outlook**

Web sales business remains the Group's long-term strategic focus and growth driver. With our well-established foundation and accumulated customer base, we have been expanding our IT team and digital marketing team to support our endeavour to achieve greater market penetration and diversification. Aligning with our strategy of developing professional websites for high-potential product categories, we kicked off the development of another e-commerce website during the reporting period — the MakeToteBags (“**MTB**”). We intend to position this new web platform as a high quality print-on-demand drop shipping provider of personalised bags for the global markets. In addition to the provision of a vast variety of personalisation options of bag structures, materials, finishing, etc, MTB will also feature a multi-shipment function to allow customers to have multiple delivery destinations in a single order, providing optimised print-on-demand solutions for small quantity orders of resellers and retailers. It is targeted to be officially launched in the third quarter of 2021.

Moreover, we are working on the development of a new business-to-business-to-consumer platform, the Q P Market Network (“**QPMN**”). Targeting global online markets, QPMN will make it possible for worldwide online shops and designers to offer print-on-demand services for personalised products to their end customers, powered by plugin programmes that connect with our backend systems and production facilities. The orders will be fulfilled by us to the end customers directly. Leveraging our established network of the collaborating online shops and designers, the successful implementation and scaling up of this strategy initiative will enable us to boost our market reach tremendously, underpinning the realisation of sustainable growth in our web sales business in the long run. We target to

launch QPMN’s first plugin programme for one of our hero products, customised puzzles, in the third quarter of 2021, which will allow online shops to offer customised puzzles to their customers with easy setup. To facilitate customers to design their personalised products, we are planning to line up passionate designers around the world in the fourth quarter of 2021 to add variety and creativity to the products sold via QPMN.

To achieve our long-term strategy of developing a new production base in Vietnam, the Group has entered into a memorandum of understanding (“MOU”) with a lessor on 29 June 2021 in respect of the sublease of land in an industrial park in Ha Nam Province, Vietnam for a term of 48 years. With an area of approximately 40,000 m<sup>2</sup>, the land will be used to establish our first self-owned production plant outside the PRC. The plant will be equipped with comprehensive end-to-end production machinery and production lines. It will serve as our manufacturing hub in Vietnam and is expected to maximise the synergy of our supply chain in the region. Such a strategic move will further consolidate the Group’s overall production capacity for future business expansion, while demonstrating our determination to honour our commitment to provide more geographical manufacturing options for our customers. Construction of factory building(s) is expected to commence in the first quarter of 2022 following a series of preparation work including formulation and submission of construction plan and site formation. The production plant is expected to commence operations in the middle of 2023.

We also intend to advance our digital capabilities to cater for our fast-growing paper product personalisation business. We are adding a state-of-the-art digital press, the HP Indigo 100K, in the second half of 2021 to the digital workshop in our Dongguan production plant. We are the first manufacturer in the PRC introducing this powerful digital solution. With its wide range of industry-leading features including offset-press-matching print quality, superior colour consistency and exceptional productivity, we believe that such investment will enable us to better accommodate the ever-changing market needs and consolidate our competitiveness in the long run.

The COVID-19 pandemic is expected to fluctuate and affect different economic activities, stunting the global economic growth. The Group will stay highly alert to challenges and uncertainties arising in the economic and political environments, while remaining focused on internal improvement of operational excellence and steady expansion. We will strive to consolidate our capacity, efficiency and cost-optimisation with enhancement of workflows and production planning as well as extended use of smart operations, with the ultimate aim of achieving better business performance and creating greater value for the shareholders of the Company (the “**Shareholders**”).

## FINANCIAL REVIEW

### Revenue

The Group achieved revenue of approximately HK\$589.6 million for 6M2021, representing an increase of approximately 16.6% as compared to approximately HK\$505.6 million for 6M2020. The increase in the Group's revenue for 6M2021 as compared to 6M2020 was driven by the increase in both OEM sales and web sales.

The following table sets forth a breakdown of total revenue for the periods indicated by business segment:

	Six months ended 30 June			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
OEM sales	<b>496,414</b>	<b>84.2</b>	437,612	86.6
Web sales	<b>93,165</b>	<b>15.8</b>	67,974	13.4
Total	<b><u>589,579</u></b>	<b><u>100.0</u></b>	<b><u>505,586</u></b>	<b><u>100.0</u></b>

The OEM sales increased from approximately HK\$437.6 million for 6M2020 to approximately HK\$496.4 million for 6M2021, representing an increase of approximately 13.4%. The increase was primarily due to the recovery of global retail market after the COVID-19 pandemic and the increase in sales to our major customers who principally purchase greeting cards, tabletop games and puzzles from us.

On the other hand, the web sales increased from approximately HK\$68.0 million for 6M2020 to approximately HK\$93.2 million for 6M2021, representing an increase of approximately 37.1%. The increase was primarily due to the surging demand for playing cards during the period of pandemic-driven e-commerce boom.

The table below summarises the geographical revenue segment based on the destination of delivery for the periods indicated:

	<b>Six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
The United States of America	<b>406,414</b>	<b>68.9</b>	341,619	67.6
Europe	<b>102,649</b>	<b>17.4</b>	86,198	17.0
The PRC (including Hong Kong)	<b>42,480</b>	<b>7.2</b>	44,351	8.8
Others	<b>38,036</b>	<b>6.5</b>	33,418	6.6
<b>Total</b>	<b><u>589,579</u></b>	<b><u>100.0</u></b>	<b><u>505,586</u></b>	<b><u>100.0</u></b>

The U.S. and Europe were the two largest overseas markets of the Group which in aggregate accounted for 86.3% and 84.6% of total revenue for 6M2021 and 6M2020, respectively. The increase in sales of the U.S. market was mainly attributable to the increase in demand for greeting cards and puzzles of our major OEM customers, and the increase in demand for playing cards of our web sales customers during 6M2021. The increase in sales of European market was mainly due to (i) the economic recovery from the COVID-19 pandemic; and (ii) successfully secured orders from new customers based in Europe.

### **Cost of sales**

Our Group's cost of sales mainly consists of cost of raw materials, staff cost in relation to production, sub-contracting charges, depreciation, utilities and factory overhead. The Group recorded an increase in cost of sales by approximately 19.4% from approximately HK\$344.2 million for 6M2020 to approximately HK\$411.0 million for 6M2021. The increase in cost of sales was primarily attributable to (i) the increase in raw materials cost as a result of the appreciation of RMB against HK\$ and increase in usage of papers, auxiliary accessories and other materials in our production as a result of the increase in revenue for 6M2021 as compared to the corresponding period; (ii) the increase in staff cost incurred in cost of sales as a result of the increase in number of production staff and the absence of reduction and exemption of several corporate social insurance premiums for enterprises in the PRC recorded in the corresponding period; and (iii) the increase in sub-contracting charges as a result of the increase in sales of greeting cards products during 6M2021 for which we generally engage our subcontractors for assembly work of greeting cards.

## **Gross profit and gross profit margin**

For 6M2021, the gross profit of the Group was approximately HK\$178.6 million, representing an increase of approximately HK\$17.2 million or approximately 10.7% as compared to approximately HK\$161.4 million for 6M2020. The gross profit margin decreased from approximately 31.9% for 6M2020 to approximately 30.3% for 6M2021 and such decrement was primarily attributable to (i) the appreciation of RMB against HK\$ for 6M2021 as compared to the corresponding period; and (ii) the absence of reduction and exemption of several corporate social insurance premiums for enterprises in the PRC recorded in the corresponding period, which were partially offset by the increase in the portion of our web sales which has a relatively higher gross profit margin compared to our OEM sales.

## **Other (losses)/gains, net**

Our Group's other (losses)/gains, net mainly consist of foreign exchange gain/loss, fair value gain on derivative financial instruments and loss on disposal of property, plant and equipment. The fluctuation of other (losses)/gains, net was primarily due to fluctuation of the exchange rate of RMB against HK\$ for 6M2021 as compared to the corresponding period and the fair value gain on derivative financial instrument during 6M2021.

## **Other income, net**

Our Group's other income, net mainly consists of sales of scrap materials and government grants. The increase in other income, net was mainly due to the increase of government grants and the increase in sales of scrap materials, which represent income from remaining paper parts after production which cannot be reused.

## **Selling and distribution expenses**

Our selling and distribution expenses primarily consist of transportation expenses, staff cost of our sales personnel, sales commission and service charges of payment gateways. The selling and distribution expenses amounted to approximately HK\$45.6 million for 6M2020, increased by approximately HK\$16.6 million or 36.4%, to approximately HK\$62.2 million for 6M2021, which was mainly due to the increase in transportation expenses, primarily driven by the growth of web sales business and the increase in freight rates for 6M2021 as compared to the corresponding period.

## **Administrative expenses**

Our administrative expenses mainly comprise staff cost, depreciation and amortisation and legal and professional fees. The Group's administrative expenses increased by approximately 20.2% from approximately HK\$72.0 million for 6M2020 to approximately HK\$86.6 million for 6M2021. Such increase was primarily attributable to (i) the appreciation of RMB against HK\$ for 6M2021 as compared to the corresponding period; and (ii) the increase in manpower to expand the web sales business.

## **Finance costs, net**

Our finance costs, net decreased by approximately HK\$1,298,000 or 99.3% from approximately HK\$1,307,000 for 6M2020 to approximately HK\$9,000 for 6M2021, mainly due to the decrease in average bank borrowings balance for 6M2021 as compared to the corresponding period.

## **Income tax expense**

Our income tax expense decreased by approximately HK\$1.7 million or 18.2% from approximately HK\$9.5 million for 6M2020 to approximately HK\$7.8 million for 6M2021. Our effective tax rate was maintained at similar level at approximately 19.5% and 19.3% for 6M2020 and 6M2021, respectively.

## **Profit for the period**

The Group's profit decreased by approximately HK\$6.7 million or 17.2% from approximately HK\$39.2 million for 6M2020 to approximately HK\$32.5 million for 6M2021. The net profit margin decreased from approximately 7.8% for 6M2020 to approximately 5.5% for 6M2021. Without taking into account the non-recurring listing expenses for 6M2020, the net profit would be decreased by approximately 19.6% for 6M2021 as compared with that of 6M2020.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During 6M2021, the Group maintained a healthy liquidity position, with working capital financed mainly by internal resources. The Group adopts a prudent cash and financial management policy.

As at 30 June 2021, the Group reported net current assets of approximately HK\$186.9 million, as compared with approximately HK\$232.5 million as at 31 December 2020. As at 30 June 2021, the Group's cash and cash equivalents was approximately HK\$155.6 million, representing a decrease of approximately HK\$81.1 million as compared to approximately HK\$236.7 million as at 31 December 2020. The decrease was mainly due to the payment of final dividend in respect of the year ended 31 December 2020 of HK12.0 cents per ordinary share, amounting to a total dividend of approximately HK\$63.8 million to the owners of the Company during 6M2021.

As at 30 June 2021, total borrowings and lease liabilities for the Group amounted to approximately HK\$80.4 million (31 December 2020: approximately HK\$92.9 million). The borrowings were denominated in HK\$ and lease liabilities were denominated in HK\$ and RMB. All bank borrowings are at floating rates and lease liabilities are in fixed rates.

For 6M2021, the net cash generated from operating activities was approximately HK\$27.1 million (6M2020: approximately HK\$77.7 million). The net cash generated from operating activities was mainly derived from the profits recorded during the period. The net cash used in investing activities was approximately HK\$31.0 million (6M2020: approximately HK\$18.7 million). The net cash used in financing activities was approximately HK\$77.7 million (6M2020: net cash generated from financing activities of approximately HK\$31.3 million). For 6M2021, the net cash used in investing activities was mainly attributable to payment in relation to the purchase of property, plant and equipment, and the net cash used in financing activities was mainly attributable to the net repayment of borrowings and the dividend payment.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: nil).

## **CAPITAL COMMITMENTS**

As at 30 June 2021, the Group had approximately HK\$19.6 million (31 December 2020: approximately HK\$6.4 million) of capital commitments in relation to the purchase of property, plant and equipment.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

As the Group is headquartered in Hong Kong and our production facilities are primarily located in the PRC, most of our production cost and operating expenses are primarily denominated in HK\$ and RMB, while our revenue is mainly denominated in US\$ and HK\$, we are exposed to foreign currency risks primarily as a result of revenue, production costs and operating expenses that are denominated in foreign currencies other than HK\$. The Group's foreign currency exposure also comprises assets and liabilities denominated in currencies other than the subsidiaries' functional currencies.

The Group has set up a policy to manage its foreign currency risk by closely monitoring the movement of the foreign currency rates and employing financial instruments for hedging should the need arise. The Group does not adopt a formal hedge accounting policy. During 6M2021, the Group entered into certain forward foreign currency contracts based on actual demand to sell US\$ and purchase RMB with licensed financial institutions in Hong Kong. The Group categorises these contracts as being entered into for hedging purpose.

As at 30 June 2021, the notional principal amounts of the outstanding forward foreign exchange contracts were approximately HK\$304.2 million (31 December 2020: HK\$117.0 million). For 6M2021, fair value gain on derivative financial instruments of approximately HK\$3.5 million (6M2020: nil) was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

## **MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 29 June 2021, the Group entered into a MOU with a lessor, an independent third party, for the sublease (“**Sublease**”) of a plot of land with an area of approximately 40,000m<sup>2</sup> for a term of 48 years for a total consideration of approximately VND65,319,535,000 (equivalent to approximately HK\$21,988,000) in Vietnam. Details of the MOU in respect of the Sublease were disclosed in the announcement of the Company dated 29 June 2021. Further announcement(s) in relation to the matters referred to above will be made by the Company as and when required in accordance with the Listing Rules.

On 30 June 2021, the Group acquired from Mr. Leung Pui Wing, an independent third party, for the entire issued share capital of Universe Oriental Enterprise Limited (“**Universe Oriental**”) at the adjusted consideration of approximately HK\$10,156,000. On 8 July 2021, the Group entered into the sale and purchase agreements with Mr. Tsang Siu Cheong and Mr. Wong Ka Ming, each an independent third party, to acquire the entire issued share capital of Brighten Wish Limited (“**Brighten Wish**”), Goldenway Fortune Limited (“**Goldenway Fortune**”), Mega Access Capital Resources Limited (“**Mega Access**”) and Billion Space Development Limited (“**Billion Space**”) and take the assignment of the directors’ loans free from encumbrances at the aggregate consideration of HK\$41,800,000 (subject to adjustments) (the “**Acquisitions**”). The Acquisitions were completed at the adjusted consideration of approximately HK\$41,837,000 on 20 July 2021. Universe Oriental, Brighten Wish, Goldenway Fortune, Mega Access and Billion Space are principally engaged in property investment business and are holding office premises located at Flat C, D, E, F and G, on the 21st Floor of Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories, Hong Kong, respectively. In addition, the Group acquired two car park spaces located at Kings Wing Plaza 2 from Mr. Tsang Siu Cheong and Mr. Wong Ka Ming at the aggregate consideration of HK\$5,560,000 on 15 December 2020. The Acquisitions constitute discloseable transactions of the Company. Details of the Acquisitions were set out in the Company’s announcement dated 8 July 2021.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for 6M2021.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

On 30 June 2020, the Group entered into a non-legally binding MOU with a vendor, an independent third party, to acquire certain land, factories, machines and assets in Vietnam. Subsequently, the Group and the vendor have agreed to enter into a supplemental MOU on 29 December 2020 to extend the exclusivity period and the long stop date of the proposed acquisition. Details of the MOU and the supplemental MOU in relation to such proposed acquisition were disclosed in the announcements of the Company dated 30 June 2020 and 29 December 2020. As at the date of this announcement, no binding agreement in relation to the proposed acquisition has been entered into. In the event that a binding agreement is entered into by the parties, the Group will make further announcement(s) as and when appropriate.

Save as disclosed above and those disclosed in this announcement, there were no other plans for material investments or capital assets as of the date of this announcement.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2021, the Group did not hold any significant investments (31 December 2020: nil).

## PLEDGE OF ASSETS

As at 30 June 2021, right-of-use assets amounted to approximately HK\$58.5 million (31 December 2020: approximately HK\$59.1 million), and property, plant and equipment amounted to approximately HK\$34.2 million (31 December 2020: approximately HK\$35.0 million) have been charged as security for bank borrowings of the Group.

## EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 2,602 (31 December 2020: 2,333) full time employees as at 30 June 2021. The Group's employee benefit expenses mainly included salaries, over time payment and discretionary bonus, other staff benefits and contributions to retirement schemes. For 6M2021, the total staff costs of the Group (including the Directors' remuneration) was approximately HK\$165.6 million (6M2020: approximately HK\$132.2 million).

The remuneration policy of the Company is reviewed regularly, making reference primarily to the market conditions and performance of the Company and individual staff members (including the Directors). Remuneration packages include, as the case may be, a basic salary, Director's remuneration, contribution to pension schemes, discretionary bonus relating to financial performance of our Group and individual performance. The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the remuneration committee of the Company, with consideration given in regard to experience, duties and responsibilities, performance and achievement of the individuals, with reference to the market condition in relation to the Group's performance and profitability.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to a high level of corporate governance to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the principles and code provisions of the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

During 6M2021, the Company has applied and complied with the CG Code in each case as set out in Appendix 14 to the Listing Rules, except for the deviation from the CG Code of code provision A.2.1. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Cheng Wan Wai currently holds both positions of the chairman of the Board and the chief executive officer of the Company, being responsible for the effective functioning of the Board in accordance with good corporate governance practice and implementing objectives, policies and strategies approved by members of the

Board from time to time. Mr. Cheng has been the key leadership figure of the Group who has been primarily involved in the formulation of business strategies and, more importantly, the determination of the overall direction of the Group since 1985. The Board considers that having Mr. Cheng acting as both our chairman and chief executive officer provides strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. Also, the Board considers there are adequate safeguards in place to ensure sufficient balance of powers within the Board, such as major issues affecting the operations of the Company are made in consultation with experienced and high caliber Directors in regular Board meetings, the delegation of authorities to the management and the supervision of the management by the members of the Board and the relevant Board committees. Having considered the factors mentioned above, the Board considers Mr. Cheng is the best candidate for both positions and the present arrangements are beneficial and in the interest of the Group and the Shareholders as a whole. The Board will continue to review and consider segregating the roles of the chairman and chief executive officer at an appropriate time, taking into account the circumstances of the Group as a whole.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard indicated by the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code adopted by the Company throughout 6M2021.

## **SHARE OPTION SCHEME**

On 20 December 2019, the Company adopted the Share Option Scheme (the “**Share Option Scheme**”) for the purpose of providing incentives or rewards to selected eligible persons for their contributions to the Group. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. The details of the Share Option Scheme are set out in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix V of the prospectus of the Company date 31 December 2019 (the “**Prospectus**”).

Since the date of adoption of Share Option Scheme and up to 30 June 2021, no options were granted to any of the Directors, eligible employees and other third parties under the Share Option Scheme.

## USE OF PROCEEDS

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 January 2020 of which 133,000,000 ordinary shares (comprising 13,300,000 Hong Kong offer shares and 119,700,000 international placing shares) had been allotted by global offering, at an offer price of HK\$1.18 per share. The actual net proceeds from the Listing were approximately HK\$111.9 million (after deduction of the listing expenses).

As at the date of this announcement, the Company intends to continue to apply the net proceeds in the manner consistent with that described in the section headed “Future Plans and Use of Proceeds” in the Prospectus. However, the Directors will continue to evaluate the Group’s business objectives and will change or modify the plans according to the changing market condition to create greater value for the Shareholders. Should there be any material change in the intended use of the net proceeds, the Company will make appropriate announcement(s) in accordance with the Listing Rules.

The table below sets out an adjusted allocation as adjusted in the same manner and same proportions as shown in the Prospectus and the actual use of the net proceeds as at 30 June 2021:

Intended use of proceeds as stated in the Prospectus	Actual net proceeds <i>HK\$’000</i>	Actual use of net proceeds up to 30 June 2021 <i>HK\$’000</i>	Unutilised net proceeds as at 30 June 2021 <i>HK\$’000</i>	Expected timeline for utilising the remaining net proceeds <i>(Note)</i>
(i) Enhance the Group’s production capacity and operational flexibility	58,726	32,081	26,645	By 31 December 2022
(ii) Optimise the Group’s product mix and production specialisation by, among others, reallocating the Group’s production capacity to Heshan and enhancing the Group’s operational efficiency	27,964	3,583	24,381	By 31 December 2022
(iii) Enhance the Group’s technological capability and upgrading the Group’s IT infrastructure	13,087	9,780	3,307	By 31 December 2021
(iv) Working capital and other general corporate purposes	12,081	12,081	—	N/A
	<u>111,858</u>	<u>57,525</u>	<u>54,333</u>	

The unutilised net proceeds have been placed as bank deposits with licensed banks in Hong Kong as at the date of this announcement.

*Note:* The expected timeline for utilising the remaining net proceeds is based on the best estimation of future market conditions made by the Group. It might be subject to changes based on the current and future development of the market conditions.

## **CHANGE OF DIRECTORS' INFORMATION**

Since June 2021, Mr. Chan Hiu Fung Nicholas, an independent non-executive Director of the Company, has become a non-club-linked director of the board of the Hong Kong Football Association until June 2025. Since July 2021, Mr. Chan has also been appointed as a Justices of the Peace under section 3(1)(b) of the Justices of the Peace Ordinance.

Since July 2021, Mr. Mak Chin Pang, an executive Director of the Company, has become a member of the Hong Kong Institute of Directors.

Save as disclosed above, there was no change in the Directors' biographical details since the date of the 2020 annual report of the Company which are required to be disclosed pursuant to Rules 13.51B(1) and 13.51(2) of the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During 6M2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK2.0 cents per ordinary share, amounting to a total dividend of approximately HK\$10.6 million for 6M2021. The said interim dividend will be payable on or around Tuesday, 12 October 2021 to the Shareholders whose name appear on the Register of Members of the Company at the close of business on Friday, 24 September 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 22 September 2021 to Friday, 24 September 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to the proposed interim dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 September 2021.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

There are no significant events affecting the Group after 6M2021 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The audit committee of the Company, which consists of three independent non-executive Directors, namely Mr. NG Shung, Mr. CHAN Hiu Fung Nicholas and Prof. CHENG Man Chung Daniel as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for 6M2021.

## **REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION BY INDEPENDENT AUDITOR**

The unaudited interim condensed consolidated financial information has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The review report of the independent auditor will be included in the interim report to be sent to the Shareholders.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement for 6M2021 required by the Listing Rules will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.qpp.com](http://www.qpp.com). The interim report for 6M2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

By order of the Board  
**Q P Group Holdings Limited**  
**Cheng Wan Wai**  
*Chairman*

Hong Kong, 27 August 2021

*As at the date of this announcement, the board of directors of the Company comprises Mr. CHENG Wan Wai, Mr. YEUNG Keng Wu Kenneth, Ms. LIU Shuk Yu Sanny, Mr. CHAN Wang Tao Thomas, Ms. HUI Li Kwan and Mr. MAK Chin Pang as executive Directors, Mr. CHAN Hiu Fung Nicholas, Prof. CHENG Man Chung Daniel and Mr. NG Shung as independent non-executive Directors.*