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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

2021 RESULTS HIGHLIGHTS

- For the year ended 31 December 2021 (“**FY2021**”), Q P Group Holdings Limited (the “**Company**”) and its subsidiaries’ (collectively, the “**Group**”) total revenue was approximately HK\$1,389.8 million, representing an increase of approximately 12.7% as compared with that of the year ended 31 December 2020 (“**FY2020**”). For FY2021, revenue generated from original equipment manufacturer (“**OEM**”) sales and web sales contributed 85.7% and 14.3% of the total revenue, respectively.
- For FY2021, the Group’s profit attributable to equity holders of the Company was approximately HK\$119.0 million, representing a decrease of approximately 8.0% as compared with that of FY2020. When excluding the non-recurring listing expenses for FY2020, the net profit would be decreased by approximately 8.8% for FY2021 as compared with that of FY2020.
- Basic earnings per share of the Company for FY2021 was approximately HK22.38 cents (FY2020: HK24.57 cents).
- The board (the “**Board**”) of directors (the “**Directors**”) of the Company recommends the payment of final dividend of HK11.0 cents per share for FY2021 (FY2020: HK12.0 cents).

The Board announces the audited consolidated results of the Group for FY2021, together with comparative figures for FY2020, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	1,389,759	1,232,631
Cost of sales	6	<u>(959,651)</u>	<u>(795,765)</u>
Gross profit		430,108	436,866
Other gains/(losses), net	4	2,828	(18,623)
Other income, net	5	19,628	18,187
Selling and distribution expenses	6	(133,621)	(108,827)
Administrative expenses	6	<u>(187,474)</u>	<u>(165,236)</u>
Operating profit		131,469	162,367
Finance income	7	1,088	1,925
Finance costs	7	<u>(1,725)</u>	<u>(4,815)</u>
Finance costs, net	7	(637)	(2,890)
Profit before income tax		130,832	159,477
Income tax expense	8	<u>(11,790)</u>	<u>(30,129)</u>
Profit for the year		<u>119,042</u>	<u>129,348</u>
Earnings per share for profit attributable to equity holders of the Company			
— Basic and diluted earnings per share (expressed in HK cents per share)	9	<u>22.38</u>	<u>24.57</u>
Other comprehensive income, net of tax			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>17,385</u>	<u>37,892</u>
Total comprehensive income for the year attributable to equity holders of the Company		<u>136,427</u>	<u>167,240</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	421,732	383,082
Investment property		2,135	2,135
Right-of-use assets		145,514	122,130
Intangible assets		30,746	28,407
Deposits and prepayments		34,473	33,842
Deferred income tax assets		8,867	8,390
		<hr/> 643,467	<hr/> 577,986
Current assets			
Inventories		116,545	93,680
Trade receivables	12	241,139	233,248
Deposits, prepayments and other receivables		50,527	35,089
Derivative financial instruments		9,497	3,866
Income tax recoverable		61	124
Cash and cash equivalents		158,781	236,670
		<hr/> 576,550	<hr/> 602,677
Total assets		<hr/> 1,220,017	<hr/> 1,180,663
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	5,320	5,320
Share premium		139,593	139,593
Reserves		701,401	639,454
		<hr/> 846,314	<hr/> 784,367
Total equity		<hr/> 846,314	<hr/> 784,367

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	13	—	7,456
Deferred income tax liabilities		10,434	16,598
Lease liabilities		1,639	2,031
		<u>12,073</u>	<u>26,085</u>
Current liabilities			
Trade payables	14	130,779	122,423
Accruals, provisions and other payables		124,865	125,960
Contract liabilities		10,549	9,491
Current income tax liabilities		8,159	28,881
Borrowings	13	84,439	80,080
Lease liabilities		2,839	3,376
		<u>361,630</u>	<u>370,211</u>
Total liabilities		<u>373,703</u>	<u>396,296</u>
Total equity and liabilities		<u>1,220,017</u>	<u>1,180,663</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 January 2020 (the "**Listing Date**").

The consolidated financial statements are presented in thousands of Hong Kong dollars ("**HK\$'000**") unless otherwise stated.

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 throughout the years presented, unless otherwise stated.

Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") are set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and derivative financial instruments, which is carried at fair value.

The preparation of the 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.

(i) *New standards and amendments to existing standards adopted by the Group*

The Group has applied the following amendments for the first time, for the annual reporting period commencing 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS16	COVID-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRS in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) *New standards and amendments to existing standards not yet adopted by the Group*

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3, HKAS 37, HKAS 16	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clauses	1 January 2023
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE AND SEGMENT INFORMATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Sales of paper and other products	<u>1,389,759</u>	<u>1,232,631</u>

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.

As at 31 December 2021 and 2020, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

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.

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 years ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December 2021		
	Web sales	OEM sales	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue from external customers	198,729	1,191,030	1,389,759
Cost of sales	(48,282)	(911,369)	(959,651)
Gross profit	150,447	279,661	430,108
Other gains, net			2,828
Other income, net			19,628
Selling and distribution expenses			(133,621)
Administrative expenses			(187,474)
Finance costs, net			(637)
Profit before income tax			130,832
Income tax expense			(11,790)
Profit for the year			<u>119,042</u>

	Year ended 31 December 2020		
	Web sales <i>HK\$'000</i>	OEM sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	157,988	1,074,643	1,232,631
Cost of sales	<u>(40,677)</u>	<u>(755,088)</u>	<u>(795,765)</u>
Gross profit	117,311	319,555	436,866
Other losses, net			(18,623)
Other income, net			18,187
Selling and distribution expenses			(108,827)
Administrative expenses			(165,236)
Finance costs, net			<u>(2,890)</u>
Profit before income tax			159,477
Income tax expense			<u>(30,129)</u>
Profit for the year			<u><u>129,348</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	306,364	299,625
Customer B	285,481	304,285

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The United States of America (the “USA”)	948,414	852,848
Europe	255,129	197,261
The People’s Republic of China (including Hong Kong) (the “PRC”)	96,836	97,059
Others	<u>89,380</u>	<u>85,463</u>
	<u><u>1,389,759</u></u>	<u><u>1,232,631</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The PRC	609,806	549,035
Vietnam	24,794	20,561
	<u>634,600</u>	<u>569,596</u>

4 OTHER GAINS/(LOSSES), NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other gains/(losses), net		
Foreign exchange loss	(9,798)	(22,005)
Fair value gain on derivative financial instruments	13,655	3,866
Loss on disposal of property, plant and equipment	(1,029)	(484)
	<u>2,828</u>	<u>(18,623)</u>

5 OTHER INCOME, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income, net		
Rental income	50	49
Sales of scrap materials	14,459	11,373
Government grants	4,519	6,206
Others	600	559
	<u>19,628</u>	<u>18,187</u>

6 EXPENSES BY NATURE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials and consumables used	526,965	427,320
Changes in inventories of finished goods and work in progress	(23,578)	2,002
(Reversal of)/provision for inventory obsolescence	(4,010)	1,248
Employee benefit expenses (including directors' emoluments)	362,352	300,018
Sub-contracting charges	155,447	123,246
Transportation expenses	73,860	56,171
Depreciation of property, plant and equipment	50,858	44,637
Electricity expenses	19,820	17,280
Repair and maintenance expenses	17,495	13,617
Sales commission	10,453	7,762
Amortisation of right-of-use assets	7,060	6,805
Service charges of payment gateways	6,982	5,934
Technical maintenance support	6,073	4,401
Legal and professional fee	5,056	6,262
Auditor's remuneration		
— Audit services	2,120	1,850
— Non-audit services	820	513
Short-term lease expense	1,012	484
Amortisation of intangible assets	618	400
Listing expenses	—	1,166
Others	61,343	48,712
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>1,280,746</u>	<u>1,069,828</u>

The research and development expenses charged for the years ended 31 December 2021 and 2020 were approximately HK\$36,899,000 and HK\$23,285,000, respectively.

7 FINANCE COSTS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income		
Bank interest income	<u>1,088</u>	<u>1,925</u>
Finance costs		
Interest expense on bank borrowings	(1,601)	(4,671)
Interest expense on lease liabilities	<u>(124)</u>	<u>(144)</u>
	<u>(1,725)</u>	<u>(4,815)</u>
Finance costs, net	<u><u>(637)</u></u>	<u><u>(2,890)</u></u>

8 INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax	18,568	29,270
Deferred income tax	<u>(6,778)</u>	<u>859</u>
	<u><u>11,790</u></u>	<u><u>30,129</u></u>

Under the two-tiered profits tax rates regime of Hong Kong profits tax, the first HK\$2 million of assessable profits of a qualifying group entity in Hong Kong will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The subsidiaries established and operated in the PRC are subject to the PRC Corporate Income Tax at the rate of 25% during the years ended 31 December 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 from 2017. The Company has renewed the accreditation as high-tech enterprise for three years from 2020. In addition, the Group's another subsidiary, Taunus Printing (Heshan) Company Limited* (騰達印刷(鶴山)有限公司), was also accredited as a high-tech enterprise, and is entitled to the preferential tax rate of 15% for three years from 2021.

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 preferential tax of 2.5% (2020: 5%) for profits of first RMB1 million, and 10% (2020: 10%) for profits ranging from RMB1 million to RMB3 million during the year ended 31 December 2021.

The subsidiaries established and operated in Vietnam are subject to the Vietnam Corporate Income Tax ("CIT") at the rate of 20%, and are entitled to a 30% reduction of CIT payable since their revenue is not exceeding Vietnamese Dong ("VND") 200 billion (equivalent to approximately HK\$68.4 million) for the years ended 31 December 2021 and 2020.

Pursuant to the relevant laws and regulations in Vietnam, the Group's subsidiary, Q P Enterprise (Vietnam) Company Limited, which was undertaking a new investment project in an industrial park, and is entitled to tax holiday under which its taxable income would be fully exempted from CIT for two years from the first year an enterprise has taxable income from a new investment project eligible for tax incentives after offsetting prior year tax losses, followed by 50% reduction in CIT in next four years. If an enterprise has no taxable income for the first 3 years, counting from the first year if it has turnover from a new investment project, the tax exemption or reduction duration shall be counted from the fourth year.

The subsidiary established and operated in the USA is subject to the Federal and State income tax of 21% and 8.84%, respectively during the years ended 31 December 2021 and 2020. No provision for the Federal and State income tax has been made during the years ended 31 December 2021 and 2020 as the USA subsidiary did not generate any taxable profits in the USA for both years.

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 years ended 31 December 2021 and 2020.

* *The English translation of company name is for reference only. The official name is in Chinese.*

9 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 for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 532,000,000 (2020: 526,549,180).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

Earnings

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>119,042</u>	<u>129,348</u>

Shares

	Number of shares	
	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares in issue	<u>532,000</u>	<u>526,549</u>
Earnings per share (HK cents per share)	<u>22.38</u>	<u>24.57</u>

10 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid in respect of the current year of HK2.0 cents (2020: HK2.0 cents) per ordinary share	10,640	10,640
Final dividend declared in respect of the previous financial year, approved and paid during the year of HK12.0 cents (2020: HK9.0 cents) per ordinary share	<u>63,840</u>	<u>47,880</u>
	<u>74,480</u>	<u>58,520</u>
Final dividend proposed after the end of the reporting period of HK11.0 cents (2020: HK12.0 cents) per ordinary share	<u>58,520</u>	<u>63,840</u>

Final dividend proposed after the end of the reporting period is not recognised as a liability as at the end of the reporting period.

11 PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the additions to property, plant and equipment amounted to approximately HK\$82.8 million (2020: approximately HK\$66.1 million).

During the year ended 31 December 2021, the disposals of property, plant and equipment amounted to approximately HK\$1.5 million (2020: approximately HK\$0.6 million).

12 TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<u>241,139</u>	<u>233,248</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	98,619	99,497
31–60 days	87,256	74,064
61–90 days	38,311	32,854
Over 90 days	16,953	26,833
	241,139	233,248

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 years ended 31 December 2021 and 2020, the expected losses for customers of sales of goods are 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 years ended 31 December 2021 and 2020.

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
United States dollars (“USD”)	122,511	139,042
Hong Kong dollars (“HKD”)	111,566	88,844
Renminbi (“RMB”)	6,854	5,156
Euro	125	175
Others	83	31
	241,139	233,248

13 BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank borrowings	84,439	87,536
Less: amounts due on demand and/or within one year shown under current liabilities	<u>(84,439)</u>	<u>(80,080)</u>
Non-current portion	<u>—</u>	<u>7,456</u>

As at 31 December 2021 and 2020, borrowings of approximately HK\$76,980,000 and HK\$24,773,000 are subject to repayable on demand clause.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	61,363	58,545
Between 1 and 2 years	5,914	10,700
Between 2 and 5 years	12,023	9,773
Over 5 years	<u>5,139</u>	<u>8,518</u>
	<u>84,439</u>	<u>87,536</u>

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 31 December 2021 and 2020 are as follows:

	2021	2020
Bank borrowings	1-month HIBOR plus 1%–2%	1-month/ 3-month HIBOR plus 1%–2%

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets	57,845	59,112
Property, plant and equipment	<u>33,403</u>	<u>35,020</u>
	<u>91,248</u>	<u>94,132</u>

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

The Group's borrowings were denominated in HKD.

14 TRADE PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>130,779</u>	<u>122,423</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	63,799	63,335
31–60 days	45,039	33,086
61–90 days	15,870	17,288
Over 90 days	<u>6,071</u>	<u>8,714</u>
	<u>130,779</u>	<u>122,423</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
RMB	102,169	94,131
HKD	23,688	21,380
USD	3,747	6,684
Others	1,175	228
	130,779	122,423

15 SHARE CAPITAL

	As at 31 December 2021 <i>Number of shares</i>	As at 31 December 2020 <i>Number of shares</i>	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Authorised:				
At beginning and end of the year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid:				
At beginning of the 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 year	532,000,000	532,000,000	5,320	5,320

Notes:

- a. Pursuant to a written resolution of the then shareholders of the Company, a total of 398,845,200 shares of HK\$0.01 each were allotted and issued at par value to the shareholders of the Company (“Shareholders”) immediately before the listing of the Company’s shares on the Listing Date by way of capitalisation of HK\$3,988,452 from the Company’s share premium account on the Listing Date.
- b. On the Listing Date, 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.

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 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 USA 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

Throughout the reporting period, the COVID-19 pandemic continued to have extensive impact on the global economy. Despite signs of recovery of the global economy and resumption of retail activities thanks to the effective disease control measures and growing vaccination rates, the emergence of new variants and the subsequent infection outbreaks dashed hopes of the pandemic subsiding completely. Meanwhile, the lasting global supply chain strain that surfaced in the first quarter of 2021 hindered the flow of goods around the world and resulted in a significant surge in shipping costs. In such a challenging and volatile business environment, the Group remained alert and responsive to the changes and uncertainties and dedicated to the optimisation of its operation and services in order to support steady business expansion. We implemented a wide range of enhancement initiatives in different areas of our operations, ranging from production standardisation, automation, work flow integration and quality improvement to logistics management, energy consumption and waste control. Such efforts made it possible for us to remain resilient to the external headwinds and partly offset the negative impact of uncontrollable factors.

In FY2021, the Group's revenue increased by approximately 12.7% from approximately HK\$1,232.6 million for FY2020 to approximately HK\$1,389.8 million for FY2021. We have seen strong growth in demand for tabletop game products since the outbreak of COVID-19, and this momentum continued throughout the reporting period. Our sustained business development efforts to increase our market presence and awareness enabled us to capture more tabletop game orders derived from the rising consumer demand for

tabletop games as well as the constraints on production capacities of local manufacturers in Europe due to COVID-19 outbreaks. We also made tremendous efforts to achieve certain breakthroughs in production technique and engineering and elevate our production standards in terms of product sophistication, material application, craftsmanship and cost reduction, so as to meet or even go beyond the stringent requirements of our OEM customers, which allowed us to gain their long-term trust and partnership. Although in the first half of 2021 our OEM sales were affected by the global shipping disruption which delayed our order fulfilments and hence the realisation of sales revenue, the situation slightly eased later in the year and its impact on our sales performance was softened. Overall, the OEM sales recorded a growth of approximately HK\$116.4 million or 10.8% from approximately HK\$1,074.6 million for FY2020 to approximately HK\$1,191.0 million for FY2021.

Many analyses have indicated that the trend of growth in worldwide retail e-commerce sales is irreversible. Riding on our well-developed web infrastructure, customer base and reputation of our web sales platforms, we further enhanced our web sales business through launches of digital marketing campaigns and new products, quality improvement and new website development, etc. Such efforts enabled us to continue to thrive in the e-commerce landscape. During FY2021, our web sales business yielded a remarkable increase in revenue of approximately HK\$40.7 million or 25.8% from approximately HK\$158.0 million for FY2020 to approximately HK\$198.7 million for FY2021. Meanwhile, the number of active registered user accounts, which refers to the number of registered user accounts with order(s) placed in our major websites namely www.makeplayingcards.com, www.boardgamesmaker.com, www.createjigsawpuzzles.com, www.printerstudio.com, www.gifthing.com and www.maketotebags.com, also increased by approximately 14.2% from approximately 47,900 as at 31 December 2020 to approximately 54,700 as at 31 December 2021.

In spite of our growth in overall revenue in FY2021, the Group recorded a net profit of approximately HK\$119.0 million during FY2021, representing a decrease of approximately 8.0% from approximately HK\$129.3 million for FY2020. The net profit margin also decreased from approximately 10.5% for FY2020 to approximately 8.6% for FY2021. Such decreases were mainly attributable to (i) the appreciation of RMB against HKD during FY2021; (ii) the increase in transportation expenses in relation to delivery of finished goods; and (iii) the decrease in subsidies from the PRC Government and the Hong Kong Special Administrative Region (“**HKSAR**”) Government.

Future Outlook

In order to fully grasp the emerging business opportunities and to remain resilient amid the ongoing uncertainties and potential adversity arising from the pandemic situation and geopolitical crisis, the Group will focus on consolidating its operational excellence and strive for steady and diversified business expansion.

The development of our supply chain in Vietnam is one of our key strategies to expand our production capacity and diversify operational risks with the additional manufacturing location. The Group entered into a contract with a lessor on 21 December 2021 regarding the sublease of land and the lease of infrastructure in an industrial park in Ha Nam Province, Vietnam for establishing a self-owned production plant outside the PRC. While the preparation work for construction of the new plant is underway, we are also concentrating on improving the standards of different areas of operations in our current subcontracted production base in Vietnam, particularly workflow management, labour competency and people development, material sourcing and logistics, which will help us formulate best practices for our future Vietnam plant. At the same time, we will continue to apply new supply chain technologies to our operations to improve the visibility, connectedness, data collection and application and agility across different production workshops and business units to optimise our overall efficiency. Meanwhile, we will also seek continuous improvement in our manufacturing process and research & application capabilities to cater for our expansion of both OEM and web sales businesses.

Our OEM business will remain our major and stable revenue stream. To consolidate our OEM business, we will focus on business development and product diversification. Based on the experience gained through our successful endeavours to enlarge our customer base in Europe, we will continue to strive to grab business opportunities in the tabletop game market in the region where we still see considerable room for growth. We will also seek to expand our product offerings for our existing customers to better cater for their business needs while achieving business diversification. Meanwhile, we are also well aware of, and have ourselves prepared for, the possibility of increasing competition from local manufacturers in Europe when the pandemic eases off in the future.

Web sales business is our long-term growth driver. We will continue to implement different development strategies to expand our customer base so as to capture the growth of the global online market. In particular, the development of Q P Market Network (“QPMN”) is intended to extend our online print-on-demand solutions to worldwide online business operators and customers without being restrained by geographical and cultural boundaries. To gain reputation and credibility so as to effectively promote QPMN to new collaborators, we intend to leverage our well-established business relationships with our existing customers and launch online collaboration projects.

Overall, the Group remains confident in the growth of the overseas tabletop game market and web sales business. The Group will continue to devote resources to the relevant business units to enhance its competitive advantage and further expand our business. External factors including surging shipping costs, fluctuating material costs, ever-increasing labour costs and other risks catalysed by the COVID-19 pandemic that manufacturers endured in FY2021 may persist in the coming year. The Group will continue to closely monitor and assess the development of these uncertainties and take appropriate measures to mitigate their impacts.

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately HK\$1,389.8 million for FY2021, representing an increase of approximately 12.7% as compared with approximately HK\$1,232.6 million for FY2020. The increase in the Group's revenue for FY2021 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:

	Year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
OEM sales	1,191,030	85.7	1,074,643	87.2
Web sales	198,729	14.3	157,988	12.8
Total	<u>1,389,759</u>	<u>100.0</u>	<u>1,232,631</u>	<u>100.0</u>

OEM sales increased from approximately HK\$1,074.6 million for FY2020 to approximately HK\$1,191.0 million for FY2021, representing an increase of approximately 10.8%. The increase was primarily due to the recovery of the global retail market after the COVID-19 pandemic situation had eased and the increase in sales to our major customers who principally purchase educational items, tabletop games and puzzles from us.

Web sales increased from approximately HK\$158.0 million for FY2020 to approximately HK\$198.7 million for FY2021, representing an increase of approximately 25.8%. 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 based on the destination of delivery for the periods indicated:

	Year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
The USA	948,414	68.2	852,848	69.2
Europe	255,129	18.4	197,261	16.0
The PRC	96,836	7.0	97,059	7.9
Others	89,380	6.4	85,463	6.9
Total	<u>1,389,759</u>	<u>100.0</u>	<u>1,232,631</u>	<u>100.0</u>

The USA and Europe were the two largest overseas markets of the Group during the year, which in aggregate accounted for 86.6% and 85.2% of the total revenue for FY2021 and FY2020, respectively. The increase in sales from the United States market was mainly attributable to the increase in demand for educational items of one of our major customers and the increase in demand of our web sales products. The increase in sales from the European market was mainly due to the economic recovery from the COVID-19 pandemic and the Group having successfully secured orders from new customers based in Europe.

Cost of sales

The Group's cost of sales mainly consists of the cost of raw materials, staff costs in relation to production, sub-contracting charges, depreciation, utilities and factory overheads. The Group recorded an increase in cost of sales of approximately 20.6% from approximately HK\$795.8 million for FY2020 to approximately HK\$959.7 million for FY2021. The increase in cost of sales was primarily attributable to (i) the increase in raw material costs as a result of the appreciation of RMB against HKD and the increase in usage of papers, auxiliary accessories and other materials in our production as a result of the increase in revenue for FY2021 as compared with the corresponding period; (ii) the increase in staff costs as a result of the increase in the number of production staff and the absence of reductions and exemptions 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 OEM sales and the utilisation rate of production capacity of the Group reaching its peak for a certain period of time.

Gross profit and gross profit margin

For FY2021, the gross profit of the Group was approximately HK\$430.1 million, representing a decrease of approximately HK\$6.8 million or 1.5% as compared with approximately HK\$436.9 million recorded in FY2020. The gross profit margin decreased from approximately 35.4% for FY2020 to approximately 30.9% for FY2021, which was primarily attributable to the appreciation of RMB against HKD for FY2021 as compared to the corresponding period; and the absence of reductions and exemptions of several corporate social insurance premiums for enterprises in the PRC recorded in the corresponding period, partially offset by the increase in the portion of our web sales which have a relatively higher gross profit margin compared to our OEM sales.

Other gains/(losses), net

The Group's other gains/(losses), net mainly consist of foreign exchange loss, fair value gain on derivative financial instruments and loss on disposal of property, plant and equipment. The Group's other gains in FY2021 were primarily due to the fact that the Group entered into more forward foreign exchange contracts to hedge against currency fluctuation and therefore the Group recognised higher fair value gain on derivative financial instrument for FY2021 as compared with that of the corresponding period.

Other income, net

The 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 in sales of scrap materials, partially offset by the decrease in grants as a result of the absence of grant from the Employment Support Scheme of the HKSAR Government during FY2021.

Selling and distribution expenses

Our selling and distribution expenses primarily consist of transportation expenses, staff costs of our sales personnel, sales commission and service charges of payment gateways. The Group's selling and distribution expenses increased by approximately HK\$24.8 million or 22.8% from approximately HK\$108.8 million for FY2020 to approximately HK\$133.6 million for FY2021. The increase was mainly due to the increase in transportation expenses incurred in relation to the delivery of finished goods.

Administrative expenses

Our administrative expenses mainly comprise staff costs, depreciation and amortisation, and legal and professional fees. The Group's administrative expenses increased by approximately HK\$22.3 million, or 13.5%, from approximately HK\$165.2 million for FY2020 to approximately HK\$187.5 million for FY2021. The increase was primarily attributable to the increase in the number of senior staff during FY2021 as compared with FY2020 for the purpose of expanding the web sales business.

Finance costs, net

Our finance costs, net decreased by approximately HK\$2.3 million or 78.0% from approximately HK\$2.9 million for FY2020 to approximately HK\$0.6 million for FY2021, mainly due to the decrease in the average bank borrowings balance for FY2021 as compared with that of FY2020.

Income tax expense

Our income tax expense decreased by approximately HK\$18.3 million, or 60.9% from approximately HK\$30.1 million for FY2020 to approximately HK\$11.8 million for FY2021. The decrease was mainly due to one of the Group's subsidiaries becoming accredited as a high-tech enterprise in Guangdong Province, the PRC, and therefore being entitled to the preferential tax rate of 15% for three years from FY2021.

Profit for the year

The Group's profit decreased by approximately HK\$10.3 million or 8.0% from approximately HK\$129.3 million for FY2020 to approximately HK\$119.0 million for FY2021. The net profit margin decreased from approximately 10.5% for FY2020 to approximately 8.6% for FY2021. When excluding the non-recurring listing expenses for FY2020, the net profit would record a decrease of approximately 8.8% for FY2021 as compared with that of FY2020.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2021, the Group maintained a healthy liquidity position, with working capital mainly financed by internal resources. The Group adopts a prudent cash and financial management policy. We closely review trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. We closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements to manage liquidity risk.

As at 31 December 2021, the Group reported net current assets of approximately HK\$214.9 million, as compared with approximately HK\$232.5 million as at 31 December 2020. As at 31 December 2021, the Group's cash and cash equivalents was approximately HK\$158.8 million, of which approximately HK\$62.5 million was denominated in HKD, approximately HK\$30.0 million was denominated in RMB, approximately HK\$64.5 million was denominated in USD and the remaining balance was denominated in other currencies (31 December 2020: approximately HK\$236.7 million, of which approximately HK\$131.8 million was denominated in HKD, approximately HK\$64.8 million was denominated in RMB, approximately HK\$38.8 million was denominated in USD and the remaining balance was denominated in other currencies), representing a decrease of approximately HK\$77.9 million as compared with that as at 31 December 2020. The decrease was mainly due to the purchase of property, plant and equipment for the purpose of expanding the business scale of the Group.

As at 31 December 2021, total borrowings and lease liabilities for the Group amounted to approximately HK\$88.9 million (31 December 2020: approximately HK\$92.9 million). The borrowings were denominated in HKD and lease liabilities were denominated in HKD and RMB. All bank borrowings are at floating rates and lease liabilities are at fixed rates.

For FY2021, the net cash generated from operating activities was approximately HK\$116.2 million (FY2020: approximately HK\$193.6 million). The net cash generated from operating activities was mainly derived from the profits recorded during the review period. The net cash used in investing activities was approximately HK\$112.6 million (FY2020: approximately HK\$47.7 million). The net cash used in financing activities was approximately HK\$82.9 million (FY2020: approximately HK\$17.9 million). For FY2021, 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 dividend payment.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had approximately HK\$25.0 million (31 December 2020: approximately HK\$6.4 million) 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 HKD and RMB, while our revenue is mainly denominated in USD and HKD, and 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 HKD. 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 FY2021, the Group entered into certain forward foreign exchange contracts based on actual demand to sell USD and purchase RMB with licensed financial institutions in Hong Kong. The Group categorises these contracts as being entered into for hedging purposes.

As at 31 December 2021, the notional principal amounts of the outstanding forward foreign exchange contracts were approximately HK\$358.8 million (31 December 2020: HK\$117.0 million). For FY2021, fair value gain on derivative financial instruments of approximately HK\$13.7 million (FY2020: HK\$3.9 million) was recognised in the 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 memorandum of understanding with a lessor, an independent third party, for the sublease (“**Sublease**”) of a plot of land with an area of approximately 40,000 square meters 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 memorandum of understanding in respect of the Sublease were disclosed in the announcement of the Company dated 29 June 2021. On 21 December 2021, the Group entered into a contract for infrastructure leasing and the land Sublease (“**Contract**”) with the lessor. The Contract and the Sublease do not constitute a notifiable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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 and hold 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 under Chapter 14 of the Listing Rules 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 during FY2021 (FY2020: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as those disclosed in this announcement, there were no other plans for material investments or capital assets during the year under review.

SIGNIFICANT INVESTMENTS

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

PLEDGE OF ASSETS

As at 31 December 2021, right-of-use assets amounted to approximately HK\$57.8 million (2020: HK\$59.1 million) and property, plant and equipment amounted to approximately HK\$33.4 million (2020: HK\$35.0 million) have been charged as security for bank borrowings of the Group.

GEARING RATIO

Gearing ratio is calculated by the total debt (being borrowings and lease liabilities) divided by the total equity as at the end of the respective reporting periods and multiplied by 100%. The Group's gearing ratio was approximately 10.5% and 11.8% as at 31 December 2021 and 2020, respectively.

We closely monitor our gearing ratio, analyse the maturity profiles of our borrowings and manage our liquidity level to ensure a sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We will explore various financing opportunities to improve our capital structure and reduce our cost of capital.

SHARE OPTION SCHEME

On 20 December 2019, the Company adopted a 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 dated 31 December 2019 (the “**Prospectus**”).

Since the date of adoption of the Share Option Scheme and up to 31 December 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 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 and issued under the global offering, at an offer price of HK\$1.18 per Share. The actual net proceeds from the listing of the Company's shares on 16 January 2020 (the “**Listing**”) were approximately HK\$111.9 million (after deduction of the listing expenses).

As at the date of this announcement, the Company has not yet utilised approximately HK\$63.1 million of the net proceeds from the Listing (the “**Unutilised Net Proceeds**”).

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:

	Actual net proceeds <i>HK\$'000</i>	Actual use of net proceeds up to 31 December 2021 <i>HK\$'000</i>	Unutilised net proceeds as at 31 December 2021 <i>HK\$'000</i>	Unutilised net proceeds as at the date of this announcement <i>HK\$'000</i>	Revised allocation of the Unutilised Net Proceeds <i>HK\$'000</i>	Expected timeline for utilising the remaining net proceeds <i>(Note 1)</i>
Enhance the Group's production capacity and operational flexibility						
— Developing production support in Southeast Asia through subcontracting agreement	12,081	(12,081)	—	—	—	N/A
— Setting up Vietnam production site by acquisition of the suitable factory building <i>(Note 2)</i>	12,081	—	12,081	12,081	—	N/A
— Acquiring new machines for the production site in Vietnam <i>(Note 2)</i>	34,564	—	34,564	34,564	—	N/A
— Setting up Vietnam production site by construction of a factory building <i>(Note 2)</i>	—	—	—	—	46,645	By 31 December 2022
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	(8,610)	19,354	14,977	14,977	By 31 December 2022
Enhance the Group's technological capability and upgrading the Group's IT infrastructure	13,087	(11,056)	2,031	1,495	1,495	By 31 December 2022
Working capital and other general corporate purposes	12,081	(12,081)	—	—	—	N/A
	<u>111,858</u>	<u>(43,828)</u>	<u>68,030</u>	<u>63,117</u>	<u>63,117</u>	

Note 1: Due to the uncertain economic and market conditions primarily driven by the outbreak of COVID-19, certain plans as stated in the Prospectus have been deferred. The expected timeline for utilising the remaining net proceeds is based on the best estimation of the future market conditions made by the Group. It might be subject to changes based on the current and future development of the market conditions.

Note 2: As disclosed in the Prospectus, for the portion of net proceeds from the Listing which is intended for “enhance the Group’s production capacity and operational flexibility”, the Group originally intended to utilise the net proceeds of (i) approximately HK\$12.1 million for setting up Vietnam production site by acquisition of the suitable factory building and (ii) approximately HK\$34.6 million for acquiring new machines for the production site in Vietnam. Accordingly, the Group entered into a non-legally binding memorandum of understanding (“MOU”) with a vendor, an independent third party, to acquire certain land, factories, machines and assets in Vietnam (collectively, the “Assets”) on 30 June 2020. Subsequently, the Group and the vendor have agreed to enter into the 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 additional time is required for the partitioning of land title in respect of the land (which forms part of the Assets located in Hai Duong Province, Vietnam) for the parties to proceed with the acquisition contemplated under the MOU, in order to avoid undue delay of the Group’s plan to set up its own production site in Vietnam, the parties agreed to terminate the MOU accorded to the interests of both parties and the refundable deposit of HK\$20.0 million under the MOU and supplemental MOU was reclassified as part of the Unutilised Net Proceeds as at 31 December 2021.

As set out in “MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES” above, the Group entered into the Contract with the lessor for the sublease of a plot of land with an area of approximately 40,000 square meters and the leasing of infrastructure in an industrial park in Ha Nam Province, Vietnam for a term of 48 years. Instead of acquiring a suitable factory building and new machines for the production site in Vietnam as originally intended, the Group plans to carry out the construction works for a factory, including office premises and the accompanying infrastructure for the production of the Group in its ordinary and usual course of business. Accordingly, the Board has resolved to reallocate a total of approximately HK\$46.6 million from the Unutilised Net Proceeds which was set for “setting up Vietnam production site by acquisition of the suitable factory building” and “acquiring new machines for the production site in Vietnam” purpose, and to re-designate these amounts for the purposes of “setting up Vietnam production site by construction of a factory building”. The Board does not consider the above change to be a material change in use of proceeds as the change still aims to help the Company to achieve its intended purpose of setting up the Group’s own production site in Vietnam. The Board is of the view that the change in use of the Unutilised Net Proceeds will allow the Group to meet the expansion needs of production capacity and is in the best interest of the Group and its Shareholders as a whole. Save as disclosed in this announcement, the Board confirms that there are no other changes to the use of the other net proceeds from the Listing. The Board will continuously assess the plan for the use of the Unutilised Net Proceeds and may revise or amend such plan when necessary to cope with the changing market conditions, and strive for better business performance of the Group.

The Unutilised Net Proceeds have been placed as bank deposits with licensed banks in Hong Kong as at the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 2,568 full-time employees as at 31 December 2021 (31 December 2020: 2,333). The Group's employee benefit expenses mainly included salaries, over time payments and discretionary bonuses, other staff benefits and contributions to retirement schemes. For FY2021, the total staff costs of the Group (including the Directors' remuneration) were approximately HK\$362.4 million (FY2020: approximately HK\$300.0 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. During the financial year, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save for those disclosed in this announcement, there are no significant events affecting the Group after FY2021 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to 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 Listing Rules as its own code of corporate governance.

During FY2021, 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.

The CG Code and code provisions specified above refer to the CG Code and code provisions prior to their amendments effective on 1 January 2022.

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 during FY2021.

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, 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 audited financial statements of the Group for FY2021.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Board confirms that the Company has maintained the public float as required by the Listing Rules as at the latest practicable date prior to the issue of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Wednesday, 8 June 2022. A notice convening the AGM will be issued and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

DIVIDEND

The Directors recommended the declaration of a final dividend at the rate of HK11.0 cents per share amounting to approximately HK\$58.5 million for the year ended 31 December 2021, which is expected to be paid on or around Friday, 24 June 2022 to all persons registered as holders of shares of the Company on Friday, 17 June 2022, subject to the approval of the Shareholders at the AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the qualification as Shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office 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, no later than 4:30 p.m. on Wednesday, 1 June 2022, being the last share registration date.

For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from Wednesday, 15 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to the proposed final 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, 14 June 2022.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.qpp.com) and the annual report for the year ended 31 December 2021 containing all information required by the Listing Rules will be despatched to the Shareholders and published on the aforesaid websites on or before 30 April 2022.

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

Hong Kong, 30 March 2022

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.