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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 2022

2022 RESULTS HIGHLIGHTS

- For the year ended 31 December 2022 (“**FY2022**”), Q P Group Holdings Limited (the “**Company**”) and its subsidiaries’ (collectively, the “**Group**”) profit was approximately HK\$126.8 million, representing an increase of approximately 6.5% as compared with that of the year ended 31 December 2021 (“**FY2021**”).
- For FY2022, the Group’s total revenue was approximately HK\$1,276.4 million, representing a decrease of approximately 8.2% as compared with that of FY2021. For FY2022, revenue generated from original equipment manufacturer (“**OEM**”) sales and web sales contributed 84.8% and 15.2% of the total revenue, respectively.
- Basic earnings per share of the Company for FY2022 was approximately HK23.84 cents (FY2021: HK22.38 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 FY2022 (FY2021: HK11.0 cents).

The Board announces the audited consolidated results of the Group for FY2022, together with comparative figures for FY2021, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	1,276,392	1,389,759
Cost of sales	6	<u>(859,628)</u>	<u>(959,651)</u>
Gross profit		416,764	430,108
Other gains, net	4	2,519	2,828
Other income	5	19,389	19,628
Selling and distribution expenses	6	(110,399)	(133,621)
Administrative expenses	6	<u>(185,226)</u>	<u>(187,474)</u>
Operating profit		143,047	131,469
Finance income	7	2,380	1,088
Finance costs	7	<u>(2,294)</u>	<u>(1,725)</u>
Finance income/(costs), net	7	86	(637)
Profit before income tax		143,133	130,832
Income tax expense	8	<u>(16,294)</u>	<u>(11,790)</u>
Profit for the year		<u>126,839</u>	<u>119,042</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>23.84</u>	<u>22.38</u>
Other comprehensive (loss)/income, net of tax			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>(55,832)</u>	<u>17,385</u>
Total comprehensive income for the year attributable to equity holders of the Company		<u>71,007</u>	<u>136,427</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	390,839	421,732
Investment property		2,135	2,135
Right-of-use assets		155,653	145,514
Intangible assets		29,072	30,746
Deposits and prepayments		9,558	34,473
Deferred income tax assets		7,868	8,867
Debt instruments at amortised cost		3,891	—
		599,016	643,467
Current assets			
Inventories		72,442	116,545
Trade receivables	12	144,432	241,139
Deposits, prepayments and other receivables		47,435	50,527
Derivative financial instruments		—	9,497
Debt instruments at amortised cost		11,695	—
Income tax recoverable		9,494	61
Cash and cash equivalents		294,721	158,781
		580,219	576,550
Total assets		1,179,235	1,220,017
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	5,320	5,320
Share premium		139,593	139,593
Reserves		697,928	701,401
Total equity		842,841	846,314

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		9,362	10,434
Lease liabilities		631	1,639
		<u>9,993</u>	<u>12,073</u>
Current liabilities			
Trade payables	14	68,159	130,779
Accruals, provisions and other payables		101,389	124,865
Contract liabilities		17,153	10,549
Current income tax liabilities		14,297	8,159
Borrowings	13	116,319	84,439
Lease liabilities		2,228	2,839
Derivative financial instruments		6,856	—
		<u>326,401</u>	<u>361,630</u>
Total liabilities		<u>336,394</u>	<u>373,703</u>
Total equity and liabilities		<u>1,179,235</u>	<u>1,220,017</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 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**”) and disclosure requirements of the Hong Kong Company Ordinance Cap. 622 are set out below. The consolidated financial statements have been prepared under the historical cost convention, except that investment property and derivative financial instruments are measured 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 and amended standards adopted by the Group

The Group has applied the following amendments for the first time, for the reporting period commencing 1 January 2022 and annual improvements:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions (Amendments)
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRS Standards 2018–2020	Amendments to HKFRS 9, HKFRS 16, HKFRS 1, HKAS 41
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations (AG 5)

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 and amendments to HKFRS	Insurance Contracts and the related Amendments	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
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

		Effective for annual periods beginning on or after
HK Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sales of paper and other products	<u>1,276,392</u>	<u>1,389,759</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 2022 and 2021, 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 and assessing performance. The chief operating decision-maker is identified as the executive directors of the Group. The executive directors 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 2022 and 2021 are as follows:

	Year ended 31 December 2022		
	Web sales	OEM sales	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue from external customers	193,706	1,082,686	1,276,392
Cost of sales	(41,560)	(818,068)	(859,628)
Gross profit	152,146	264,618	416,764
Other gains, net			2,519
Other income			19,389
Selling and distribution expenses			(110,399)
Administrative expenses			(185,226)
Finance income, net			86
Profit before income tax			143,133
Income tax expense			(16,294)
Profit for the year			<u>126,839</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	302,419	306,364
Customer B	248,739	285,481

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The United States of America (the “USA”)	866,131	948,414
Europe	232,620	255,129
The People’s Republic of China (including Hong Kong) (the “PRC”)	83,410	96,836
Others	94,231	89,380
	<u>1,276,392</u>	<u>1,389,759</u>

Non-current assets, other than deferred income tax assets and debt instruments at amortised cost, are located as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC	536,893	609,806
Vietnam	50,364	24,794
	<u>587,257</u>	<u>634,600</u>
4 OTHER GAINS, NET		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other gains, net		
Foreign exchange gain/(loss)	22,414	(9,798)
Fair value (loss)/gain on derivative financial instruments	(19,879)	13,655
Loss on disposal of property, plant and equipment	(16)	(1,029)
	<u>2,519</u>	<u>2,828</u>
5 OTHER INCOME		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Rental income	50	50
Sales of scrap materials	11,688	14,459
Government grants	7,291	4,519
Others	360	600
	<u>19,389</u>	<u>19,628</u>

6 EXPENSES BY NATURE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials and consumables used	413,383	526,965
Changes in inventories of finished goods and work in progress	24,848	(23,578)
Provision for/(reversal of provision for) inventory obsolescence	10,443	(4,010)
Employee benefit expenses (including directors' emoluments)	356,240	362,352
Sub-contracting charges	121,074	155,447
Transportation expenses	54,429	73,860
Depreciation of property, plant and equipment	53,160	50,858
Electricity expenses	20,770	19,820
Repair and maintenance expenses	13,223	17,495
Sales commission	7,394	10,453
Service charges of payment gateways	6,660	6,982
Amortisation of right-of-use assets	6,419	7,060
Technical maintenance support	5,829	6,073
Legal and professional fee	5,204	5,056
Auditor's remuneration		
— Audit services	2,220	2,120
— Non-audit services	622	820
Short-term lease expenses	1,516	1,012
Amortisation of intangible assets	930	618
Others	50,889	61,343
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>1,155,253</u>	<u>1,280,746</u>

The research and development expenses charged for the years ended 31 December 2022 and 2021 were approximately HK\$40,839,000 and HK\$36,899,000, respectively.

7 FINANCE INCOME/(COSTS), NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income		
Bank interest income	2,226	1,088
Interest income from debt instruments	<u>154</u>	<u>—</u>
	<u>2,380</u>	<u>1,088</u>
Finance costs		
Interest expense on bank borrowings	(2,220)	(1,601)
Interest expense on lease liabilities	<u>(74)</u>	<u>(124)</u>
	<u>(2,294)</u>	<u>(1,725)</u>
Finance income/(costs), net	<u><u>86</u></u>	<u><u>(637)</u></u>

8 INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax	16,186	18,568
Deferred income tax	<u>108</u>	<u>(6,778)</u>
	<u><u>16,294</u></u>	<u><u>11,790</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 2022 and 2021.

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 since 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 income tax rate of 2.5% (2021: 2.5%) for taxable income of first RMB1 million, and 5% (2021: 10%) for taxable income ranging from RMB1 million to RMB3 million during the year ended 31 December 2022.

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 for the years ended 31 December 2022 and 2021.

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 three 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.

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 2022 and 2021.

* *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 for the years ended 31 December 2022 and 2021.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

Earnings

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>126,839</u>	<u>119,042</u>

Shares

	Number of shares	
	2022 '000	2021 '000
Weighted average number of ordinary shares in issue	<u>532,000</u>	<u>532,000</u>
Earnings per share (<i>HK cents per share</i>)	<u>23.84</u>	<u>22.38</u>

10 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend declared and paid in respect of the current year of HK3.0 cents (2021: HK2.0 cents) per ordinary share	15,960	10,640
Final dividend declared in respect of the previous financial year, approved and paid during the year of HK11.0 cents (2021: HK12.0 cents) per ordinary share	<u>58,520</u>	<u>63,840</u>
	<u>74,480</u>	<u>74,480</u>
Final dividend proposed after the end of the reporting period of HK11.0 cents (2021: HK11.0 cents) per ordinary share	<u>58,520</u>	<u>58,520</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 2022, the additions to property, plant and equipment amounted to approximately HK\$46.6 million (2021: approximately HK\$82.8 million).

During the year ended 31 December 2022, the disposals of property, plant and equipment amounted to approximately HK\$0.2 million (2021: approximately HK\$1.5 million).

12 TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<u>144,432</u>	<u>241,139</u>

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

As at 31 December 2022 and 2021, the aging analysis of the trade receivables, based on invoice date, were as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	63,648	98,619
31–60 days	54,291	87,256
61–90 days	23,150	38,311
Over 90 days	3,343	16,953
	144,432	241,139

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 2022 and 2021, 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 2022 and 2021.

The carrying amounts of trade receivables approximate their fair values as at 31 December 2022 and 2021.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
United States dollars (“USD”)	89,535	122,511
Hong Kong dollars (“HKD”)	51,128	111,566
Renminbi (“RMB”)	3,712	6,854
Others	57	208
	144,432	241,139

13 BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank borrowings	116,319	84,439
Less: amounts due on demand and/or within one year shown under current liabilities	<u>(116,319)</u>	<u>(84,439)</u>
Non-current portion	<u><u>—</u></u>	<u><u>—</u></u>

As at 31 December 2022 and 2021, borrowings of approximately HK\$116,319,000 and HK\$76,980,000 were subject to repayable on demand clause.

As at 31 December 2022 and 2021, the Group's borrowings were repayable as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	73,043	61,363
Between 1 and 2 years	19,506	5,914
Between 2 and 5 years	16,793	12,023
Over 5 years	<u>6,977</u>	<u>5,139</u>
	<u><u>116,319</u></u>	<u><u>84,439</u></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 2022 and 2021 are as follows:

	2022	2021
Bank borrowings	1-month HIBOR plus 0.3%–1.8%	1-month HIBOR plus 1%–2%

As at 31 December 2022 and 2021, the borrowings were pledged by certain assets with carrying values shown below:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets	82,025	57,845
Property, plant and equipment	73,162	33,403
	<u>155,187</u>	<u>91,248</u>

The carrying amounts of borrowings of the Group approximate their fair values as at 31 December 2022 and 2021.

The Group's borrowings were denominated in HKD.

14 TRADE PAYABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	68,159	130,779

As at 31 December 2022 and 2021, the aging analysis of the trade payables, based on invoice date, were as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	49,112	63,799
31–60 days	12,476	45,039
61–90 days	3,671	15,870
Over 90 days	2,900	6,071
	<u>68,159</u>	<u>130,779</u>

The carrying amounts of trade payables approximate their fair values as at 31 December 2022 and 2021.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
RMB	54,167	102,169
HKD	11,785	23,688
USD	1,754	3,747
Others	453	1,175
	68,159	130,779

15 SHARE CAPITAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
2,000,000,000 (2021: 2,000,000,000) ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid:		
532,000,000 (2021: 532,000,000) ordinary shares of HK\$0.01 each	5,320	5,320

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Corporate Profile

Established in 1985, the Group is a paper product manufacturing and printing services provider, offering our customers diversified manufacturing and printing solutions for a wide spectrum of products. Headquartered in Hong Kong, we operate two key production plants at Dongguan and Heshan in Guangdong Province. Our principal product categories are tabletop games, greeting cards, educational items and premium packaging. Our products are sold to (i) OEM customers who order mass quantities for direct sales and distribution through their own sales network; and (ii) individual and corporate customers who order through online sales channels. We have established stable business relationships with our major OEM customers in the USA and Europe, which include an international greeting cards publisher and multinational children educational products and toys brands.

Business Overview

During the reporting period, despite the outbreaks of the COVID-19 variants in the PRC including Hong Kong, our plants and headquarters managed to maintain normal operations under proper disease prevention measures and operation management. The changes in the general economic atmosphere and market demand, however, posed considerable challenges to the Group. The slowdown in the growth of major economies, coupled with factors such as interest rate hikes and inflationary pressures, weakened consumer purchasing power and consumption sentiment. As the pandemic receded, the lifting of disease control measures in the USA and Europe led to the resumption of outdoor and mass activities, which in turn dragged the demand for tabletop games that surged during the peak of the pandemic due to the widely implemented home quarantine measures. Certain corporate customers adjusted their procurement strategies to allow more time to digest the excess inventory resulting from the discrepancy between the anticipated and actual demands for tabletop games. Such factors adversely affected our sales of the related products during the reporting period. Furthermore, concerns over the supply chain disruptions arising in 2021 and various geopolitical risks have driven some enterprises in Europe and the USA to cultivate supply locally or in other Asian regions more actively, intensifying the market competition and impeding the Group's business expansion. To cope with the complex and volatile external environment and market conditions, the Group adopted diversified growth strategies to develop new customers and proactively offer more diverse manufacturing solutions to existing customers and expand our product offerings, so as to offset part of the impact of the unfavourable market factors on our OEM sales. Nevertheless, during the reporting period, our OEM sales decreased from approximately HK\$1,191.0 million for FY2021 to approximately HK\$1,082.7 million for FY2022, representing a decrease of approximately HK\$108.3 million or 9.1%.

The influence of the subsiding COVID-19 pandemic over market demand was also reflected on our web sales business. The resumption of outdoor and mass activities reduced people's reliance on online shopping compared with that during pandemic peaks. The sales of certain tabletop game products that previously soared during the pandemic also declined during the reporting period. Meanwhile, our web sales business faced increasing competition from local and foreign brands. To maintain the competitive advantage and long-term growth of our web sales business, the Group implemented different business strategies, which included the official launch of Q P Market Network (“QPMN”), a one-stop online platform for custom products, in the second quarter of 2022. Based on a business-to-business-to-consumer model, QPMN provides business partners with comprehensive e-commerce solutions for selling custom products. Our digital marketing and IT teams actively worked on the optimisation of website infrastructure and services to address a wider range of market needs and promote its competitiveness. QPMN's marketers also met various enterprises and organisations to explore potential collaborations and expand its business network. QPMN has established partnerships with a number of local enterprises and designers, including retailers with a large sales network and customer base. In addition, we carried out digital marketing strategies for our other e-commerce websites to maintain their leading positions in search engines and exposure in the digital market. We also launched a few crowdfunding projects on international online crowdfunding platforms to boost sales of products and brand awareness in the relevant markets. During FY2022, our revenue from web sales slightly decreased approximately HK\$5.0 million or 2.5% from approximately HK\$198.7 million for FY2021 to approximately HK\$193.7 million for FY2022. The number of active registered user accounts, which refers to the registered user accounts with order(s) placed at our major websites, namely www.makeplayingcards.com, www.boardgamesmaker.com, www.createjigsawpuzzles.com, www.printerstudio.com, www.gifthing.com and www.maketotbags.com, increased by approximately 4.4% from approximately 54,700 as at 31 December 2021 to approximately 57,100 as at 31 December 2022.

We always endeavor to maximise the efficiency and achieve proper expansion of production capacity in our operations. During the reporting period, the Group officially commenced the construction of our self-owned production plant in Vietnam. We are moving towards more comprehensive application of smart operation with the implementation of initiatives for pursuing Industry 4.0 maturity level 2i in our Dongguan plant. Meanwhile, we also kicked off the development and optimisation projects of the infrastructure of our smart operation network, which included the web-to-print system, production coordination system, standardised production management and web sales platforms. On the other hand, our operation, engineering and logistics teams conducted targeted reviews and analyses on various operating and production costs, formulated and implemented efficiency and cost optimisation measures, which brought significant improvement in these aspects.

Overall, the Group's revenue decreased by approximately 8.2% from approximately HK\$1,389.8 million for FY2021 to approximately HK\$1,276.4 million for FY2022. The Group recorded a net profit of approximately HK\$126.8 million for FY2022, representing an increase of approximately 6.5% from approximately HK\$119.0 million for FY2021. The net profit margin also increased from approximately 8.6% for FY2021 to approximately 9.9% for FY2022. Such improvements in net profit and net profit margin were primarily attributable to the improvement in gross profit margin as a result of the depreciation of RMB against HKD during FY2022 and the saving in transportation expenses in relation to our web sales business.

Future Outlook

Although the global pandemic continues to subside, the manufacturing sector is expected to face numerous uncertainties in 2023 under the concerns about geopolitical tensions and sluggish global economic growth. In view of such, the Group will effectively implement strategic deployments to embrace the challenges and opportunities. In 2023, we will actively expand our business to seize larger market share. In terms of OEM business, we will proactively explore business opportunities with existing and potential customers to create win-win partnerships with competitive service quality and pricing. Leveraging our production capability and brand reputation in card products, we look to actively develop the domestic market of premium card products in the PRC so as to capture its market potential and diversify our OEM business. With the lifting of pandemic prevention measures, we will reactivate physical business development activities such as participating in overseas trade shows and visiting overseas customers to establish and maintain business relationships. To facilitate our business development, we will expand our internal research and development capabilities, which will enable us to provide OEM customers with more product options to meet diverse market demands.

In terms of web sales business, we will strengthen both online and offline marketing activities, such as launching more crowdfunding projects for our different web sales brands, participating in exhibitions to promote our products and services and sponsoring events related to our products, with the aim of further increasing our brand exposure and popularity in the market. Besides, QPMN will focus its business development on local and overseas enterprises and organisations and our OEM customers, so that our product customisation service can reach a broader consumer market through our business partners' customer bases and sales network. Moreover, we will expand the customisation options of QPMN and provide our business partners and their end customers with more innovative customisation solutions that meet the market needs.

In terms of operations, the Group will consistently implement strategic expansion and continuous improvement to consolidate our competitiveness. The Vietnam plant, currently under construction, is expected to commence operation in the second half of 2023. It is our first self-owned production base outside the PRC and will provide our OEM customers with an additional geographical manufacturing option. We will apply the extensive experience and technologies of operations of the existing plants in the new plant, while taking into account more environmental concerns in its operations to ensure sustainable development. We will continue to implement and review cost-saving measures for the existing production bases to further optimise our operating efficiency. Riding on the progress in IT infrastructure development made during the reporting period, our IT team will continue to focus on the system development work towards the goal of smart operation network. We also intend to develop other third-party production sites and connect them to our online platforms through the system of smart operation network, consolidating a more comprehensive and digitalised supply chain to maximise the benefits of smart operation network and expand our product options.

The Group will continue to appropriately devote resources to the relevant business units and projects to enhance our competitive advantage and sustain business growth. The Group will closely monitor and assess market changes and respond accordingly to mitigate the impact.

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately HK\$1,276.4 million for FY2022, representing a decrease of approximately 8.2% as compared with approximately HK\$1,389.8 million for FY2021. The decrease in the Group's revenue for FY2022 was mainly driven by the decrease in OEM sales.

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

	Year ended 31 December			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
OEM sales	1,082,686	84.8	1,191,030	85.7
Web sales	193,706	15.2	198,729	14.3
Total	<u>1,276,392</u>	<u>100.0</u>	<u>1,389,759</u>	<u>100.0</u>

OEM sales decreased from approximately HK\$1,191.0 million for FY2021 to approximately HK\$1,082.7 million for FY2022, representing a decrease of approximately 9.1%. The decrease was primarily due to the weakened consumer sentiment in a rising interest rate environment during the second half of 2022.

Web sales decreased from approximately HK\$198.7 million for FY2021 to approximately HK\$193.7 million for FY2022, representing a decrease of approximately 2.5%. The decrease was primarily due to the gradual recovery of outdoor activities which reduced the reliance on online shopping as compared with the period during the peak of the pandemic.

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

	Year ended 31 December			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
The USA	866,131	67.9	948,414	68.2
Europe	232,620	18.2	255,129	18.4
The PRC	83,410	6.5	96,836	7.0
Others	94,231	7.4	89,380	6.4
Total	<u>1,276,392</u>	<u>100.0</u>	<u>1,389,759</u>	<u>100.0</u>

The USA and Europe remained the two largest overseas markets of the Group in aggregate accounted for 86.1% and 86.6% of the total revenue for FY2022 and FY2021, respectively. The decrease in sales from these two markets was mainly due to the weakened market sentiments driven by lingering concerns over the US Federal Reserve's decision on rising interest rates as well as the uncomfortably high overall inflation in Europe during the reporting period.

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 a decrease in cost of sales of approximately 10.4% from approximately HK\$959.7 million for FY2021 to approximately HK\$859.6 million for FY2022. The decrease in cost of sales was primarily attributable to the decrease in production output as a result of fewer purchase orders placed by our OEM customers during the reporting period.

Gross profit and gross profit margin

For FY2022, the gross profit of the Group was approximately HK\$416.8 million, representing a decrease of approximately 3.1% as compared with approximately HK\$430.1 million recorded in FY2021. The gross profit margin increased from approximately 30.9% for FY2021 to approximately 32.7% for FY2022, which was primarily attributable to the depreciation of RMB against HKD during FY2022.

Other gains, net

The Group's other gains, net mainly consist of foreign exchange gain/(loss), fair value gain/(loss) on derivative financial instruments and loss on disposal of property, plant and equipment. There was no material fluctuation in other gains, net as our Group entered into forward exchange contracts to manage the foreign currency exposure during the reporting period.

Other income

The Group's other income mainly consists of sales of scrap materials and government grants. There was no material fluctuation in other income due to the combined effects of the decrease in sales of scrap materials, and the increase in receipts of government subsidies in the PRC (including Hong Kong).

Selling and distribution expenses

The Group's 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 decreased by approximately 17.4% from approximately HK\$133.6 million for FY2021 to approximately HK\$110.4 million for FY2022. The decrease was mainly due to the saving in transportation expenses upon the implementation of relevant improvement strategies for delivering goods of our web sales business.

Administrative expenses

The Group's administrative expenses mainly comprise staff costs, depreciation and amortisation, and legal and professional fees. The Group's administrative expenses decreased slightly by approximately 1.2%, from approximately HK\$187.5 million for FY2021 to approximately HK\$185.2 million for FY2022. Our administrative expenses for FY2022 remained stable as compared with that in FY2021.

Finance income/(costs), net

The Group recognised finance income, net of approximately HK\$86,000 for FY2022 as compared with finance cost, net of approximately HK\$637,000 for FY2021, as a result of a higher level of surplus cash was placed on term deposits and debt instruments, and such effect was partially offset by the increased borrowings rates during the reporting period.

Income tax expense

Our income tax expense increased by approximately 38.2% from approximately HK\$11.8 million for FY2021 to approximately HK\$16.3 million for FY2022. The increase was mainly due to a one-off tax credit of approximately HK\$6.0 million recognised in FY2021. Such tax credit was related to the entitlement of a preferential tax rate from one of the Group's subsidiaries being accredited as a high-tech enterprise in Guangdong Province in the PRC.

Profit for the year

The Group's profit increased by approximately 6.5% from approximately HK\$119.0 million for FY2021 to approximately HK\$126.8 million for FY2022. The net profit margin increased from approximately 8.6% for FY2021 to approximately 9.9% for FY2022. The increase in net profit was primarily attributable to the improvement in gross profit margin and the saving in transportation expense in relation to our web sales business.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2022, 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 2022, the Group reported net current assets of approximately HK\$253.8 million, as compared with approximately HK\$214.9 million as at 31 December 2021. As at 31 December 2022, the Group's cash and cash equivalents was approximately HK\$294.7 million, of which approximately HK\$168.3 million was denominated in HKD, approximately HK\$93.4 million was denominated in USD, approximately HK\$29.4 million was denominated in RMB and the remaining balance was denominated in other currencies (31 December 2021: approximately HK\$158.8 million, of which approximately HK\$62.5 million was denominated in HKD, approximately HK\$64.5 million was denominated in USD, approximately HK\$30.0 million was denominated in RMB and the remaining balance was denominated in other currencies), representing an increase of approximately HK\$135.9 million as compared with that as at 31 December 2021.

As at 31 December 2022, total borrowings and lease liabilities for the Group amounted to approximately HK\$119.2 million (31 December 2021: approximately HK\$88.9 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 FY2022, the net cash generated from operating activities was approximately HK\$269.0 million (FY2021: approximately HK\$116.2 million). The net cash generated from operating activities was mainly derived from the profits recorded during the reporting period. The net cash used in investing activities was approximately HK\$82.0 million (FY2021: approximately HK\$112.6 million). The net cash used in financing activities was approximately HK\$47.9 million (FY2021: approximately HK\$82.9 million). For FY2022, the net cash used in investing activities was mainly attributable to payments in relation to the purchase of property, plant and equipment, and the net cash used in financing activities was mainly attributable to the dividend payments.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no significant contingent liabilities (31 December 2021: nil).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had approximately HK\$45.0 million (31 December 2021: approximately HK\$25.0 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 costs 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 FY2022, 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 2022, the notional principal amounts of the outstanding forward foreign exchange contracts were approximately HK\$109.2 million (31 December 2021: HK\$358.8 million). For FY2022, fair value loss on derivative financial instruments of approximately HK\$19.9 million (FY2021: fair value gain of approximately HK\$13.7 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 1 September 2022, the Group entered into the construction contract with an independent third party contractor, pursuant to which the contractor agreed, among other things, to undertake the construction works of the factory in Ha Nam Province, Vietnam at a consideration of VND133,999,000,000 (equivalent to approximately HK\$44,875,754), subject to adjustment (if any). The Group intends to establish a self-owned production plant in Vietnam so as to develop a comprehensive supply chain in that region, with the aim of (i) consolidating its overall production capacity for future business expansion; (ii) diversifying its potential operational risks arising from geopolitical factors; and (iii) providing more geographical manufacturing options for its customers. Details of the construction contract were disclosed in the announcement of the Company dated 1 September 2022.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during FY2022.

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.

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group did not hold any significant investments (31 December 2021: nil).

PLEDGE OF ASSETS

As at 31 December 2022, right-of-use assets amounted to approximately HK\$82.0 million (2021: HK\$57.8 million) and property, plant and equipment amounted to approximately HK\$73.2 million (2021: HK\$33.4 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 14.1% and 10.5% as at 31 December 2022 and 2021, 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 also 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 2022, 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 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 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, and announcements (“**Announcements**”) of the Company dated 30 March 2022 and 26 August 2022. 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 due course.

As at 31 December 2022, the Company has not yet utilised approximately HK\$40.1 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 Announcements. The table below summarises the actual use of the net proceeds as at 31 December 2022:

	Actual net proceeds <i>HK\$'000</i>	Actual use of net proceeds up to 31 December 2022 <i>HK\$'000</i>	Unutilised net proceeds as at 31 December 2022 <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	58,726	(23,829)	34,897	By 31 December 2023
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	(22,751)	5,213	By 31 December 2023
Enhance the Group’s technological capability and upgrading the Group’s IT infrastructure	13,087	(13,087)	—	N/A
Working capital and other general corporate purposes	12,081	(12,081)	—	N/A
	<u>111,858</u>	<u>(71,748)</u>	<u>40,110</u>	

Note 1: 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.

The Unutilised Net Proceeds have been placed as bank deposits with licensed banks in Hong Kong.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 2,280 employees as at 31 December 2022 (31 December 2021: 2,568). The Group's employee benefit expenses mainly included salaries, over time payments and discretionary bonuses, other staff benefits and contributions to retirement schemes. For FY2022, the total staff costs of the Group (including the Directors' remuneration) were approximately HK\$356.2 million (FY2021: approximately HK\$362.4 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 the financial performance of our Group and individual performance. During the reporting period, 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 2022, 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

On 28 February 2023, the Group entered into the construction contract with an independent third party contractor, pursuant to which the contractor agreed, among other things, to undertake the construction works of the factory in Heshan at a consideration of RMB45,000,000 (equivalent to approximately HK\$50,873,000), subject to adjustment (if any). The Group intends to increase its overall production capacity in Heshan so as to cater for the continuous growth of our paper products manufacturing business. Under such plan, the Group can also enhance its overall production efficiency and operational efficiency as the management will be able to perform better production planning and more effective allocation of resources to support our production capacity with the increased production space and new machines in Heshan. Details of the construction contract were disclosed in the announcement of the Company dated 28 February 2023.

Save as disclosed above, there are no significant events affecting the Group after FY2022 and up to the date of this announcement.

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 Listing Rules as its own code of corporate governance.

During FY2022, 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 C.2.1. Under code provision C.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 during FY2022.

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 FY2022.

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 FY2022 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 and consequently no opinion or assurance conclusion 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 Thursday, 8 June 2023. 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 Board 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 2022, which is expected to be paid on or around Monday, 26 June 2023 to all persons registered as holders of shares of the Company on Friday, 16 June 2023, 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 Monday, 5 June 2023 to Thursday, 8 June 2023, 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 Friday, 2 June 2023, 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, 14 June 2023 to Friday, 16 June 2023, 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, 13 June 2023.

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 2022 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 2023.

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

Hong Kong, 30 March 2023

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.