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Q P GROUP HOLDINGS LIMITED

雋思集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1412)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

2024 INTERIM RESULTS HIGHLIGHT

- For the six months ended 30 June 2024 (“**6M2024**”), Q P Group Holdings Limited (the “**Company**”) and its subsidiaries’ (collectively, the “**Group**”) total revenue was approximately HK\$538.6 million, representing an increase of approximately 16.9% as compared with the total revenue for the six months ended 30 June 2023 (“**6M2023**”). For 6M2024, revenue generated from original equipment manufacturer (“**OEM**”) sales and web sales contributed approximately 81.5% and 18.5% of the total revenue respectively.
- For 6M2024, the Group’s profit attributable to equity holders of the Company was approximately HK\$54.0 million, representing an increase of approximately 50.9% as compared with that of 6M2023.
- Basic earnings per share of the Company for 6M2024 was approximately HK10.15 cents (6M2023: HK6.72 cents).
- The board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved to declare an interim dividend of HK3.0 cents per ordinary share for 6M2024 (6M2023: HK2.0 cents).

The Board announces the unaudited interim condensed consolidated results of the Group for 6M2024, together with comparative figures, as follows:

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

For the six months ended 30 June 2024

	<i>Note</i>	Six months ended 30 June	
		2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Revenue	5	538,630	460,691
Cost of sales	8	<u>(346,133)</u>	<u>(306,807)</u>
Gross profit		192,497	153,884
Other gains, net	6	3,521	12,731
Other income	7	7,243	5,060
Selling and distribution expenses	8	(50,349)	(47,147)
Administrative expenses	8	<u>(95,237)</u>	<u>(87,392)</u>
Operating profit		57,675	37,136
Finance income	9	3,739	4,947
Finance costs	9	<u>(1,407)</u>	<u>(2,243)</u>
Finance income, net		2,332	2,704
Profit before income tax		60,007	39,840
Income tax expense	10	<u>(7,332)</u>	<u>(4,070)</u>
Profit for the period		<u>52,675</u>	<u>35,770</u>
Attributable to:			
Equity holders of the Company		53,975	35,770
Non-controlling interests		<u>(1,300)</u>	<u>—</u>
		<u>52,675</u>	<u>35,770</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)	11	<u>10.15</u>	<u>6.72</u>

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>	(Unaudited)	(Unaudited)
Other comprehensive loss, net of tax:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>(18,251)</u>	<u>(29,185)</u>
Total comprehensive income for the period	<u>34,424</u>	<u>6,585</u>
Attributable to:		
Equity holders of the Company	35,724	6,585
Non-controlling interests	<u>(1,300)</u>	<u>—</u>
	<u>34,424</u>	<u>6,585</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	13	423,790	426,181
Investment property		2,135	2,135
Right-of-use assets		147,202	149,876
Intangible assets		27,731	28,995
Deposits, prepayments and other receivables		18,868	33,086
Deferred income tax assets		8,677	5,931
Equity investment at fair value through profit or loss		500	500
		<u>628,903</u>	<u>646,704</u>
Current assets			
Inventories		75,596	65,130
Trade receivables	14	219,978	163,323
Deposits, prepayments and other receivables		49,661	49,209
Debt instruments at amortised cost		7,547	3,900
Income tax recoverable		3,489	2,026
Cash and bank balances		176,299	160,365
		<u>532,570</u>	<u>443,953</u>
Total assets		<u><u>1,161,473</u></u>	<u><u>1,090,657</u></u>

		As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000
	<i>Note</i>		
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	5,320	5,320
Share premium		139,593	139,593
Reserves		681,902	688,738
Shareholders' funds		826,815	833,651
Non-controlling interests		(231)	1,069
Total equity		826,584	834,720
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		14,505	15,184
Lease liabilities		2,011	1,138
		16,516	16,322
Current liabilities			
Trade payables	16	92,408	64,436
Accruals, provisions and other payables		96,499	97,351
Contract liabilities		16,732	17,101
Current income tax liabilities		14,459	11,037
Borrowings	15	96,174	47,879
Lease liabilities		2,101	1,811
		318,373	239,615
Total liabilities		334,889	255,937
Total equity and liabilities		1,161,473	1,090,657

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company was incorporated in the Cayman Islands on 19 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands.

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

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

The following amendments and interpretation to standards are mandatory for the first time for the financial year beginning 1 January 2024 and currently relevant to the Group:

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 Sales and Leaseback	1 January 2024
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 7 and HKAS 7	Supplier Finance Arrangements (Amendments)	1 January 2024

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

For those new standards, amendment to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

The preparation of the 2024 Interim Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

5 REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Sales of paper and other products	<u>538,630</u>	<u>460,691</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 30 June 2024 and 2023, all performance obligations not yet fulfilled 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 unfulfilled 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 for the year ended 31 December 2023.

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

The segment information provided to the executive Directors for the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June 2024		
	Web sales	OEM sales	Total
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue from external customers	99,790	438,840	538,630
Cost of sales	(16,172)	(329,961)	(346,133)
Gross profit	83,618	108,879	192,497
Other gains, net			3,521
Other income			7,243
Selling and distribution expenses			(50,349)
Administrative expenses			(95,237)
Finance income, net			2,332
Profit before income tax			60,007
Income tax expense			(7,332)
Profit for the period			52,675

Six months ended 30 June 2023			
	Web sales	OEM sales	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue from external customers	92,904	367,787	460,691
Cost of sales	<u>(17,984)</u>	<u>(288,823)</u>	<u>(306,807)</u>
Gross profit	74,920	78,964	153,884
Other gains, net			12,731
Other income			5,060
Selling and distribution expenses			(47,147)
Administrative expenses			(87,392)
Finance income, net			<u>2,704</u>
Profit before income tax			39,840
Income tax expense			<u>(4,070)</u>
Profit for the period			<u><u>35,770</u></u>

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

Six months ended 30 June		
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	104,976	112,531
Customer B	<u>170,499</u>	<u>90,727</u>

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The United States of America (the “USA”)	340,323	317,562
Europe	96,081	69,450
The People’s Republic of China (including Hong Kong) (the “PRC”)	38,292	30,425
Others	63,934	43,254
	<u>538,630</u>	<u>460,691</u>

Non-current assets, other than deferred income tax assets and equity investment at fair value through profit or loss, are located as follows:

	As at 30 June 2024	As at 31 December 2023
	HK\$'000	HK\$'000
	(Unaudited)	
The PRC	520,369	540,596
Vietnam	99,357	99,677
	<u>619,726</u>	<u>640,273</u>

6 OTHER GAINS, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other gains, net		
Foreign exchange gains	3,869	11,175
Fair value gain on derivative financial instruments	—	1,343
(Losses)/gains on disposal of property, plant and equipment	(348)	213
	<u>3,521</u>	<u>12,731</u>

7 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Rental income	26	25
Sales of scrap materials	4,054	2,908
Government grants	2,936	2,018
Others	227	109
	<u>7,243</u>	<u>5,060</u>

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Raw materials and consumables used	168,054	137,503
Changes in inventories of finished goods and work in progress	(8,982)	(4,037)
Provision for inventory obsolescence	1,570	2,551
Employee benefit expenses (including directors' emoluments)	180,866	161,655
Sub-contracting charges	37,546	43,306
Depreciation of property, plant and equipment	26,908	25,541
Transportation expenses	22,762	19,393
Electricity expenses	9,914	8,658
Repair and maintenance expenses	5,368	6,208
Technical maintenance support	5,226	3,829
Service charges of payment gateways	3,477	3,379
Legal and professional fee	3,379	2,650
Other taxes and surcharges	2,780	4,556
Amortisation of right-of-use assets	2,744	3,393
Sales commission	2,196	2,514
Auditor's remuneration		
— Audit services	1,090	1,110
— Non-audit services	455	522
Short-term lease expenses	1,492	751
Trade credit insurance	1,144	1,147
Amortisation of intangible assets	662	556
Others	23,068	16,161
Total cost of sales, selling and distribution expenses, and administrative expenses	<u>491,719</u>	<u>441,346</u>

9 FINANCE INCOME, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
Bank interest income	<u>3,739</u>	<u>4,947</u>
Finance costs		
Interest expense on bank borrowings	(1,339)	(2,217)
Interest expense on lease liabilities	<u>(68)</u>	<u>(26)</u>
	<u><u>(1,407)</u></u>	<u><u>(2,243)</u></u>
Finance income, net	<u><u>2,332</u></u>	<u><u>2,704</u></u>

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	10,561	7,975
Deferred income tax	<u>(3,229)</u>	<u>(3,905)</u>
	<u><u>7,332</u></u>	<u><u>4,070</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 (“**PRC CIT**”) at the rate of 25% during the six months ended 30 June 2024 and 2023 respectively.

Pursuant to the relevant laws and regulation in the PRC, the Group's subsidiaries, Dongguan Zensee Printing Limited (東莞雋思印刷有限公司) and Taunus Printing (Heshan) Company Limited* (騰達印刷(鶴山)有限公司) were accredited as high-tech enterprises in 2017 and 2021 respectively, and both of them are entitled to the preferential tax rate of 15% for the six months ended 30 June 2024 (six months ended 30 June 2023: 15%).

Pursuant to the relevant laws and regulations in the PRC, certain entities of the Group are qualified as small-scale and marginal profit enterprises. As a result, they were entitled to the preferential income tax rate of 5% (six months ended 30 June 2023: 5%) for taxable income of first RMB1 million, and 5% (six months ended 30 June 2023: 5%) for taxable income ranging from RMB1 million to RMB3 million during the six months ended 30 June 2024.

The subsidiaries established and operated in Vietnam are subject to the Vietnam Corporate Income Tax (“CIT”) at the rate of 20% during the six months ended 30 June 2024 and 2023 respectively.

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, 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 the 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 the Cayman Islands, the Group was not subject to any income tax in the BVI and the Cayman Islands during the six months ended 30 June 2024 and 2023, respectively.

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

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

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of approximately HK\$53,975,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$35,770,000), and the weighted average number of ordinary shares of 532,000,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: 532,000,000).

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

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

Earnings

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	<u>53,975</u>	<u>35,770</u>

Shares

	Number of shares	
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue (thousands)	<u>532,000</u>	<u>532,000</u>
Earnings per share (HK cents per share)	<u>10.15</u>	<u>6.72</u>

12 DIVIDENDS

- (a) **Interim dividend payable to equity holders of the Company declared after the reporting period**

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the reporting period of HK3.0 cents (six months ended 30 June 2023: HK2.0 cents) per ordinary share	<u>15,960</u>	<u>10,640</u>

The interim dividend declared after the end of the reporting period was not recognised as a liability as at the end of the reporting period.

- (b) **Final dividend payable to equity holders of the Company attributable to the previous financial year, approved and paid during the reporting period**

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the reporting period, of HK8.0 cents (six months ended 30 June 2023: HK11.0 cents) per ordinary share	<u>42,560</u>	<u>58,520</u>

13 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment with a total cost of approximately HK\$37,081,000 (six months ended 30 June 2023: approximately HK\$58,104,000).

During the six months ended 30 June 2024, the Group disposed of property, plant and equipment with a net book value of approximately HK\$490,000 (six months ended 30 June 2023: approximately HK\$380,000).

14 TRADE RECEIVABLES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i>
Trade receivables	219,978	163,323

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

As at 30 June 2024 and 31 December 2023, the aging analysis of the trade receivables, based on invoice date, were as follows:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i>
Within 30 days	105,744	70,626
31–60 days	66,687	38,815
61–90 days	41,473	30,598
Over 90 days	6,074	23,284
	219,978	163,323

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 six months ended 30 June 2024 and 2023, 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 six months ended 30 June 2024 and 2023.

The carrying amounts of trade receivables approximate their fair values as at 30 June 2024 and 31 December 2023.

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

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i>
United States dollars ("USD")	103,935	69,719
Hong Kong dollars ("HKD")	107,590	87,836
Renminbi ("RMB")	8,348	5,480
Others	105	288
	<u>219,978</u>	<u>163,323</u>

15 BORROWINGS

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i>
Bank borrowings – amounts due on demand and/or within one year shown under current liabilities	<u>96,174</u>	<u>47,879</u>

As at 30 June 2024 and 31 December 2023, borrowings of approximately HK\$96,174,000 and HK\$47,879,000.

The Group's borrowings were denominated in following currencies:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i>
HKD	64,263	47,090
RMB	31,911	—
Vietnamese Dong (“VND”)	—	789
	<u>96,174</u>	<u>47,879</u>

The effective interest rates of the above loans (per annum) as at 30 June 2024 and 31 December 2023 were as follows:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023
Bank borrowings	2.90%–6.44%	2.60%–7.43%

As at 30 June 2024 and 31 December 2023, the borrowings were pledged by certain assets with carrying values shown below:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i>
Right-of-use assets	79,339	80,234
Property, plant and equipment	<u>67,710</u>	<u>69,527</u>
	<u>147,049</u>	<u>149,761</u>

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2024 and 31 December 2023.

16 TRADE PAYABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000
Trade payables	<u>92,408</u>	<u>64,436</u>

As at 30 June 2024 and 31 December 2023, the aging analysis of the trade payables, based on invoice date, were as follows:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000
Within 30 days	67,801	33,861
31–60 days	15,440	15,224
61–90 days	6,620	9,793
Over 90 days	<u>2,547</u>	<u>5,558</u>
	<u>92,408</u>	<u>64,436</u>

The carrying amounts of trade payables approximate their fair values as at 30 June 2024 and 31 December 2023.

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000
RMB	63,679	52,531
HKD	20,002	8,783
USD	3,584	2,151
Others	<u>5,143</u>	<u>971</u>
	<u>92,408</u>	<u>64,436</u>

17 SHARE CAPITAL

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i>
Authorised:		
2,000,000,000 (31 December 2023: 2,000,000,000) ordinary shares of HK\$0.01 each	<u><u>20,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:		
532,000,000 (31 December 2023: 532,000,000) ordinary shares of HK\$0.01 each	<u><u>5,320</u></u>	<u><u>5,320</u></u>

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 production plants at Dongguan and Heshan in Guangdong Province, the People's Republic of China (the “PRC”), and Phu Ly City in Ha Nam Province, Vietnam. Our principal product categories are tabletop games, greeting cards, educational items and premium packaging. Our products are sold to (i) original equipment manufacturer (“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 United States of America (the “USA”) and Europe, which include an international greeting cards publisher and multinational children educational products and toys brands.

Business Overview

Following a challenging 2023 marked by high inflation, geopolitical tensions and other adverse factors, the overall global economy demonstrated resilience in the first half of 2024 with modest growth despite uneven pace across different regions and sectors as well as persistent inflationary pressure that still affected consumer demand. During the reporting period, leveraging our consistently outstanding performance in engineering and production efficiency and quality, we successfully secured additional orders from our major OEM customer driven by the increasing market demand, which boosted our overall OEM sales. Meanwhile, we pushed forward steady business development in different product lines, which included the development of trading card game manufacturing business in the PRC. In respect of web sales business, we continued to allocate resources to online and offline marketing initiatives including digital marketing, crowdfunding and participation in overseas exhibitions, with the aim of strengthening brand exposure of our ecommerce business and driving stable growth. During the reporting period, our original brand manufacturer (“OBM”) business launched a number of card products and crowdfunding projects, which included card products published under brand licensing initiatives, progressively carving out our brand's reputation and recognition in the relevant markets. On the operational front, the new Vietnam factory officially commenced full-scale operation during the reporting period, and has become a key production hub of the Group, leading to a new landscape and opportunities for the Group's overall supply chain operation and business.

Overall, the Group recorded a profit attributable to equity holders of approximately HK\$54.0 million for 6M2024, representing an increase of approximately 50.9% from approximately HK\$35.8 million for 6M2023. The net profit margin increased from approximately 7.8% for 6M2023 to approximately 9.8% for 6M2024. The increase in net profit was primarily attributable to the positive effects of better economies of scale driven by the increase in revenue from both OEM sales and web sales, as well as the continuous enhancement in operational and production efficiency, which were partially offset by the increase in selling and administrative expenses. The Group's revenue increased by approximately 16.9% from approximately HK\$460.7 million for 6M2023 to approximately HK\$538.6 million for 6M2024, which was mainly due to the growth in both OEM sales and web sales. The Group's OEM sales revenue increased from approximately HK\$367.8 million for 6M2023 to approximately HK\$438.8 million for 6M2024, representing an increase of approximately 19.3%, which was mainly attributable to the increased demand for the Group's tabletop game products from our major OEM customer. The Group's web sales revenue also increased from approximately HK\$92.9 million for 6M2023 to approximately HK\$99.8 million for 6M2024, representing an increase of approximately 7.4%. The number of active registered user accounts, which refers to the registered user accounts with order(s) placed on our major websites, increased from approximately 64,100 as at 31 December 2023 to approximately 70,400 as at 30 June 2024.

Future Outlook

The global economy is expected to see a continuation of recovery and growth in the second half of 2024, but the manufacturing industry may still face challenges amidst uncertainties such as high inflation and geopolitical volatility. The Group will continue to strive for steady business diversification and expansion as well as improvement in operational efficiency, thereby elevating its competitive advantage. In the OEM business, riding on the established production know-how and capacity, the Group intends to further explore the trading card manufacturing business in USA's and European markets, so as to seize the opportunities in both domestic and foreign markets and maximise economies of scale. In the web sales business, the Group will attempt to embark on diverse marketing campaigns that put emphasis not only on customer acquisition but also the growth of existing customers. The Group also aims to exhibit and participate in several major exhibitions in Europe, USA and Asia to open up more business opportunities. Furthermore, Q P Market Network ("QPMN"), an e-commerce platform under the Group, has initiated collaborations with enterprises in different regions to offer online solutions for product customisation. We look to promote QPMN's services to more brands and licensors with the successful cases, making a step towards the realisation of a business-to-business-to-consumer (B2B2C) model. In terms of the OBM business, the team will actively seek collaborations with more brands and licensors and develop additional product categories and product customisation to enrich customer experience.

On the operational front, to optimise the effectiveness of the new Vietnam plant, the Group will stay focused on enhancing its efficiency and capacity, and establish a comprehensive staff development system for building more adequate and skilled local teams in the long run. On the other hand, we have been making constant efforts to achieve digital transformation and smart operations. We are in the process of preparation for the certification of Level 2i of Industry 4.0 maturity for the Dongguan plant, moving forward to achieve more extensive smart operation.

Overall, the Group remains confident about its long-term prospects. We will continue to adopt a proactive and prudent management approach and pursue steady business expansion, so as to take up future challenges and opportunities effectively. The Group will continue to closely review and evaluate market changes and take corresponding actions and responses to minimise the impact.

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately HK\$538.6 million for 6M2024, representing an increase of approximately 16.9% as compared to approximately HK\$460.7 million for 6M2023. The increase in the Group's revenue for 6M2024 as compared with that of 6M2023 was driven by the increase in revenue from both OEM sales and web sales.

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

	Six months ended 30 June			
	2024		2023	
	HK\$'000	%	HK\$'000	%
OEM sales	438,840	81.5	367,787	79.8
Web sales	99,790	18.5	92,904	20.2
Total	<u>538,630</u>	<u>100.0</u>	<u>460,691</u>	<u>100.0</u>

Revenue from OEM sales increased from approximately HK\$367.8 million for 6M2023 to approximately HK\$438.8 million for 6M2024, representing an increase of approximately 19.3%. The increase was mainly attributable to the increased demand for the Group's tabletop game products from our major OEM customer.

Revenue from web sales increased from approximately HK\$92.9 million for 6M2023 to approximately HK\$99.8 million for 6M2024, representing an increase of approximately 7.4%. The revenue from web sales experienced stable growth during the reporting period.

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

	Six months ended 30 June			
	2024		2023	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
The USA	340,323	63.2	317,562	68.9
Europe	96,081	17.8	69,450	15.1
The PRC	38,292	7.1	30,425	6.6
Others	63,934	11.9	43,254	9.4
Total	<u>538,630</u>	<u>100.0</u>	<u>460,691</u>	<u>100.0</u>

The USA and Europe were the two largest overseas markets of the Group which in aggregate accounted for approximately 81.0% and 84.0% of total revenue for 6M2024 and 6M2023, respectively. The increase in revenue from the USA and European markets was mainly attributable to the increase in demand for our tabletop game products from our major OEM customer.

Cost of sales

Our Group's cost of sales mainly consists of cost of raw materials, staff cost in relation to production, sub-contracting charges, depreciation, utilities and factory overheads. The Group recorded an increase in cost of sales by approximately 12.8% from approximately HK\$306.8 million for 6M2023 to approximately HK\$346.1 million for 6M2024. The increase in the cost of sales was primarily attributable to the increased production output resulting from the increased demand for our OEM products during the reporting period.

Gross profit and gross profit margin

For 6M2024, the gross profit of the Group was approximately HK\$192.5 million, representing an increase of approximately HK\$38.6 million or approximately 25.1% as compared to approximately HK\$153.9 million for 6M2023. The gross profit margin increased from approximately 33.4% for 6M2023 to approximately 35.7% for 6M2024. The increase was primarily attributable to the better economies of scale driven by the increase in revenue from both OEM sales and web sales as well as the continuous enhancement in operational and production efficiency.

Other gains, net

The Group's other gains, net mainly consist of foreign exchange gain, fair value gain on derivative financial instruments and gains/losses on disposal of property, plant and equipment. During the reporting period, the decrease in other gains, net, was primarily due to the decreased fluctuation of Renminbi (“**RMB**”) against Hong Kong dollars (“**HKD**”) compared to the corresponding period.

Other income

The Group's other income mainly consists of sales of scrap materials and government grants. The increase in other income was mainly due to the increase 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 cost of our sales personnel, sales commission and service charges of payment gateways. The selling and distribution expenses amounted to approximately HK\$47.1 million for 6M2023, increased by approximately HK\$3.2 million or approximately 6.8%, to approximately HK\$50.3 million for 6M2024, which was mainly due to the increase in transportation expenses resulting from the increase in freight charges and the scale of our web sales business during the reporting period.

Administrative expenses

The Group's administrative expenses mainly comprise staff cost, depreciation and amortisation, and legal and professional fees. The Group's administrative expenses increased by approximately HK\$7.8 million or approximately 9.0% from approximately HK\$87.4 million for 6M2023 to approximately HK\$95.2 million for 6M2024. The increase in administrative expenses was primarily due to the increase in staff costs during the reporting period.

Finance income, net

The Group's finance income, net decreased by approximately HK\$0.4 million or approximately 13.8% from approximately HK\$2.7 million for 6M2023 to approximately HK\$2.3 million for 6M2024, primarily due to a lower level of surplus cash placed in term deposits and debt instruments during the reporting period.

Income tax expense

Our income tax expense increased by approximately HK\$3.2 million or approximately 80.1% from approximately HK\$4.1 million for 6M2023 to approximately HK\$7.3 million for 6M2024. The increase in income tax expense was primarily due to the increase in profit recognised during the reporting period.

Profit attributable to the equity holders of the Company

The profit attributable to the equity holders of the Company increased by approximately HK\$18.2 million or approximately 50.9% from approximately HK\$35.8 million for 6M2023 to approximately HK\$54.0 million for 6M2024. The Group's net profit margin increased from approximately 7.8% for 6M2023 to approximately 9.8% for 6M2024. The increase in net profit was primarily attributable to the positive effects of better economies of scale driven by the increase in revenue from both OEM sales and web sales as well as the continuous enhancement in operational and production efficiency, which were partially offset by the increase in selling and administrative expenses.

LIQUIDITY AND FINANCIAL RESOURCES

During 6M2024, the Group maintained a healthy liquidity position, with working capital financed mainly by internal resources. The Group adopts a prudent cash and financial management policy. 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 30 June 2024, the Group reported net current assets of approximately HK\$214.2 million, as compared with approximately HK\$204.3 million as at 31 December 2023. As at 30 June 2024, the Group's cash and cash equivalents was approximately HK\$176.3 million, of which approximately HK\$15.0 million was denominated in HKD, approximately HK\$14.1 million was denominated in RMB, approximately HK\$144.0 million was denominated in United States dollars ("USD") and the remaining balance was denominated in other currencies (31 December 2023: approximately HK\$160.4 million, of which approximately HK\$28.8 million was denominated in HKD, approximately HK\$109.0 million was denominated in USD, approximately HK\$19.8 million was denominated in RMB and the remaining balance was denominated in other currencies), representing an increase of approximately HK\$15.9 million as compared to approximately HK\$160.4 million as at 31 December 2023.

As at 30 June 2024, total borrowings and lease liabilities for the Group amounted to approximately HK\$100.3 million (31 December 2023: approximately HK\$50.8 million). The borrowings were denominated in HKD and RMB, and lease liabilities were denominated in HKD and RMB. Bank borrowings are at floating rates and fixed rates, and lease liabilities are at fixed rates.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: nil).

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had approximately HK\$18.7 million (31 December 2023: approximately HK\$21.0 million) of capital commitments in respect of acquisition 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 and Vietnam, most of our production cost and operating expenses are primarily denominated in RMB, Vietnamese Dong (“VND”) and HKD, while our revenue is mainly denominated in USD and HKD, 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.

The Group did not hold any outstanding forward foreign exchange contract for both reporting periods. For 6M2023, a fair value gain of approximately HK\$1.3 million was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for 6M2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have any other plans for material investments or capital assets as at the date of this announcement.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments for 6M2024 (6M2023: nil).

PLEDGE OF ASSETS

As at 30 June 2024, right-of-use assets amounted to approximately HK\$79.3 million (31 December 2023: approximately HK\$80.2 million), and property, plant and equipment amounted to approximately HK\$67.7 million (31 December 2023: approximately HK\$69.5 million) had been charged as security for bank borrowings of the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 3,085 (31 December 2023: 2,677) employees as at 30 June 2024. The Group's employee benefit expenses mainly included salaries, over time payment, discretionary bonus, other staff benefits and contributions to retirement schemes. For 6M2024, the total staff costs of the Group (including the Directors' remuneration) were approximately HK\$180.9 million (6M2023: approximately HK\$161.7 million).

The remuneration policy of the Company is reviewed regularly, with primary reference to market conditions and the performance of the Company and individual staff members (including the Directors). Remuneration packages may include a basic salary, Director's remuneration, contributions to pension schemes, and a discretionary bonus related 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 were reviewed by the remuneration committee of the Company, with consideration given to experience, duties and responsibilities, performance, and achievements of the individuals, with reference to market conditions, the Group's performance and profitability.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to a high level of corporate governance to safeguard the interests of the shareholders of the Company (the “**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 C1 to the Listing Rules as its own code of corporate governance.

During 6M2024, the Company has applied and complied with the CG Code in each case as set out in Appendix C1 to the Listing Rules, except for the deviation from the code provision C.2.1 of the CG Code. 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 C3 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code adopted by the Company throughout 6M2024.

SHARE OPTION SCHEME

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

Since the date of adoption of Share Option Scheme and up to 30 June 2024, no options were granted to any of the Directors, eligible employees and other third parties under the Share Option Scheme.

As no share options were granted since the adoption of the Share Option Scheme and up to the end of the reporting period, the number of options available for grant under the Share Option Scheme at the beginning and the end of the reporting period was 53,200,000 Shares, representing 10% of the issued Shares as at the date of this interim report.

CHANGE OF DIRECTORS' INFORMATION

Since April 2024, Mr. Chan Hiu Fung Nicholas (“**Mr. Chan**”), an independent non-executive Director of the Company, has been appointed as a member to the board of directors of Hong Kong Cyberport Management Company Limited for a period of two years.

Since April 2024, Mr. Chan has been appointed as the Chairman of the Knowledge Transfer Committee of The Chinese University of Hong Kong for a period of two years.

Since April 2024, Mr. Chan has been appointed as a member of the Executive Committee of the Council and as a member of the Audit and Risk Management Committee of The Chinese University of Hong Kong for a period of two years.

Since May 2024, Mr. Chan has been appointed as a member of the Competition Commission for a period of two years.

Since May 2024, Mr. Chan has been re-appointed as a member of Chief Executive's Policy Unit (CEPU) Expert Group for a period of one year.

In July 2024, Mr. Chan was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

Save as disclosed above, there was no change in the Directors' biographical details since the date of the 2023 annual report of the Company which are required to be disclosed pursuant to Rules 13.51B(1) and 13.51(2) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 6M2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.0 cents per ordinary share, amounting to a total dividend of approximately HK\$16.0 million for 6M2024. The said interim dividend will be payable on or around Thursday, 10 October 2024 to the Shareholders whose name appear on the register of members of the Company at the close of business on Friday, 20 September 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 17 September 2024 to Friday, 20 September 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to the proposed interim dividend, unregistered holders of the Shares 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 Monday, 16 September 2024.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events affecting the Group after 6M2024 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company, which consists of three independent non-executive Directors, namely Mr. NG Shung, Mr. CHAN Hiu Fung Nicholas and Prof. CHENG Man Chung Daniel as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for 6M2024.

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement for 6M2024 required by the Listing Rules will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.qpp.com. The interim report for 6M2024 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

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

Hong Kong, 23 August 2024

As at the date of this announcement, the Board 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; and Mr. CHAN Hiu Fung Nicholas, Prof. CHENG Man Chung Daniel and Mr. NG Shung as independent non-executive Directors.