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QPL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 243)

ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2020

The Board of Directors (the “Board” or “Directors”) of QPL International Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 30 April 2020 together with the comparative figures for the year ended 30 April 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	274,577	282,743
Changes in inventories of finished goods and work in progress		4,043	(5,735)
Raw materials and consumables used		(127,334)	(128,512)
Other income	4	7,691	16,699
Exchange gain/(loss) net		3,751	(3,074)
Net fair value loss on financial asset at fair value through profit or loss (“FVTPL”)		(11,379)	(13,293)
Realised (loss)/gain on disposal of financial asset at FVTPL		(2,066)	1,292
Other gains and losses	4	(706)	174
Staff costs		(79,268)	(84,612)
Equity-settled share-based payment expense		–	(8,500)
Impairment of property, plant and equipment		(24,739)	(1,370)
Depreciation of property, plant and equipment		(12,131)	(11,271)
Depreciation of right-of-use assets		(15,738)	–
Other expenses		(82,071)	(89,023)
Finance cost	5	(1,967)	(26)
Loss before taxation		(67,337)	(44,508)
Taxation	6	(808)	(914)
Loss for the year	7	(68,145)	(45,422)
Other comprehensive income for the year:			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		655	3,733
Total comprehensive expense for the year		(67,490)	(41,689)
Loss per share	9		(restated)
Basic and diluted		(HK36.24 cents)	(HK24.16 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 APRIL 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current asset			
Property, plant and equipment		126,783	160,853
Right-of-use assets		33,856	–
		<u>160,639</u>	<u>160,853</u>
Current assets			
Inventories		48,639	45,487
Trade and other receivables	<i>10</i>	71,588	109,558
Deposits and prepayments		21,600	23,074
Financial asset at FVTPL		42,870	43,891
Loan receivables	<i>11</i>	20,239	20,323
Bank balances and cash		154,892	131,276
		<u>359,828</u>	<u>373,609</u>
Current liabilities			
Trade and other payables	<i>12</i>	20,233	17,752
Deposits and accrued expenses		38,068	35,071
Contract liabilities		1,539	–
Tax payable		685	809
Other borrowings		22,022	12,596
Lease liabilities/obligations under finance leases		11,035	457
		<u>93,582</u>	<u>66,685</u>
Net current assets		<u>266,246</u>	<u>306,924</u>
		<u>426,885</u>	<u>467,777</u>
Capital and reserves			
Share capital		180,501	180,501
Share premium and reserves		219,786	287,276
Equity attributable to owners of the Company		<u>400,287</u>	<u>467,777</u>
Non-current liabilities			
Lease liabilities/obligations under finance leases		26,598	–
		<u>426,885</u>	<u>467,777</u>

NOTES:

1. BASIS OF PREPARATION

The Group's consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Companies Ordinance.

The Group's consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year.

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below the application of the new and amendments to HKFRSs 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 on these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HKFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 May 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

HKFRS 16 Leases – continued

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 May 2019. As at 1 May 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- ii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of leased properties in Hong Kong and People's Republic of China ("PRC") was determined on a portfolio basis;
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options;
- iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- v. relied on the assessment of whether lease are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment view.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities ranged from 3.05% to 4.51%. The lease liabilities as at 1 May 2019 reconciled to the operating lease commitments as at 30 April 2019 is as follows:

	At 1 May 2019 HK\$'000
Operating lease commitments disclosed as at 30 April 2019	56,043
Less: practical expedient – leases with lease term ending within 12 months from date of initial application	(404)
Less: Leases not yet commenced on 1 May 2019	–
Less: Effect from discounting at the incremental borrowing rate as at 1 May 2019	(5,143)
	50,496
Add: obligation under finance lease recognised as at 30 April 2019	457
Lease liabilities as at 1 May 2019	<u>50,953</u>
Analysed as:	
Current	11,876
Non-current	39,077
	<u>50,953</u>

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

HKFRS 16 Leases – continued

As a lessee – continued

The carrying amount of right-of-use assets for own use as at 1 May 2019 comprises the following:

	At 1 May 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	50,496
Add: Right-of-use assets relating to deposits of operating leases recognised upon application of HKFRS 16	377
Add: Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	768
	<hr/>
	51,641
	<hr/>
By class	
Vehicle	768
Building	50,873
	<hr/>
	51,641
	<hr/> <hr/>

Note:

In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 May 2019 amounting to HK\$768,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$457,000 to lease liabilities as current liabilities respectively at 1 May 2019.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$377,000 was adjusted to refundable rental deposits paid and right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

HKFRS 16 Leases – continued

As a lessee – continued

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 May 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report at 30 April 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 May 2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	160,853	(768)	160,085
Right-of-use assets	–	51,641	51,641
Current assets			
Deposits and prepayments	23,074	(377)	22,697
Current liabilities			
Obligation under finance lease	457	(457)	–
Lease liabilities – due within one year	–	11,876	11,876
Non-current liabilities			
Lease liabilities – due over one year	–	39,077	39,077

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 April 2020, movements in working capital have been computed based on opening statement of financial position as at 1 May 2019 as disclosed above.

News and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRS 16	COVID-19-Related Rent Concession ⁵

¹ *Effective for annual periods beginning on or after a date to be determined*

² *Effective for annual periods beginning on or after 1 January 2021*

³ *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

⁴ *Effective for annual periods beginning on or after 1 January 2020*

⁵ *Effective for annual periods beginning on or after 1 June 2020*

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

News and amendments to HKFRSs in issue but not yet effective – continued

In addition to the above new and amendments to HKFRSs, a revised “Conceptual Framework for Financial Reporting” was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework” in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue

Revenue represents the amounts received and receivables for goods sold by the Group to external customers less sales returns and discounts. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. All revenue were recognised at point in time.

Segmental information

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance focuses on the location of customers. The Group currently operates in one business segment in the manufacture and sale of integrated circuit leadframes, heatsinks, stiffeners and related product. A single management team reports to chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

The customers of the Group are mainly located in the United States of America (the “USA”), Hong Kong, Europe, the People’s Republic of China (the “PRC”), Philippines, Malaysia, Singapore, Thailand. Customers located in other countries have been aggregated into a single reportable segment as the segments do not meet the quantitative thresholds as set out in HKFRS 8.

3. REVENUE AND SEGMENTAL INFORMATION – continued

Segmental information – continued

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Segment results	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
The USA	33,156	30,512	2,013	1,756
Hong Kong	1,480	2,166	84	138
Europe	36,244	43,214	2,362	2,756
The PRC	94,525	80,196	2,403	1,876
Philippines	5,428	8,267	404	522
Malaysia	62,730	50,319	4,119	3,126
Singapore	3,262	11,816	332	754
Thailand	19,793	37,040	1,425	2,362
Reportable segment total	256,618	263,530	13,142	13,290
Other countries	21,853	22,629	1,243	1,425
	278,471	286,159	14,385	14,715
Eliminations	(3,894)	(3,416)	–	–
Revenue to external customers and segment results	274,577	282,743	14,385	14,715
Net gain on disposal of property, plant and equipment			27	–
Net gain on disposal of right-of-use assets			105	–
Impairment of property, plant and equipment			(24,739)	(1,370)
Net fair value loss on financial asset at FVTPL			(11,379)	(13,293)
Realised (loss)/gain on disposal of financial asset at FVTPL			(2,066)	1,292
Equity-settled share-based payment expenses			–	(8,500)
Depreciation of property, plant and equipment			(12,131)	(11,271)
Depreciation of right-of-use assets			(15,738)	–
Unallocated interest income			1,648	1,984
Unallocated corporate expenses			(15,482)	(28,039)
Finance cost			(1,967)	(26)
Loss before taxation			(67,337)	(44,508)

3. REVENUE AND SEGMENTAL INFORMATION – continued

Segmental information – continued

Segment revenues and results – continued

Included in the PRC reportable segments are revenue from inter-segments of approximately HK\$3,894,000 (2019: HK\$3,416,000).

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) from each segment without allocation of corporate expenses which include directors' remuneration, depreciation expenses, net gain on disposal of property, plant and equipment, net fair value loss on financial asset at FVTPL, realised (loss)/gain on disposal of financial asset at FVTPL, equity-settled share-based payment expenses, interest income and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The USA	9,035	4,648
Hong Kong	488	145
Europe	6,236	13,896
The PRC	30,177	15,764
Philippines	955	1,771
Malaysia	16,766	5,006
Singapore	719	1,225
Thailand	2,422	7,848
	<hr/>	<hr/>
Reportable segment total	66,798	50,303
Other countries	2,548	3,407
	<hr/>	<hr/>
	69,346	53,710
Unallocated		
Property, plant and equipment	126,783	160,853
Right-of-use assets	33,856	–
Inventories	48,639	45,487
Financial asset at FVTPL	42,870	43,891
Other receivables	2,242	55,848
Loan receivables	20,239	20,323
Bank balances and cash	154,892	131,276
Deposits and prepayments	21,600	23,074
	<hr/>	<hr/>
Consolidated total assets	<u>520,467</u>	<u>534,462</u>

3. REVENUE AND SEGMENTAL INFORMATION – continued

Segmental information – continued

Segment assets – continued

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than property, plant and equipment, right-of-use assets, financial asset at FVTPL, inventories, other receivables, loan receivables, deposits and prepayments and bank balances and cash.

No segment information on liabilities is presented as such information is not regularly reported to the CODM for the purpose of resources allocation and performance assessment.

Geographical information by location of assets

The Group's non-current assets of approximately HK\$50,154,000 (2019: HK\$45,855,000) are located in the PRC and approximately HK\$110,485,000 (2019: HK\$114,998,000) are located in Hong Kong based on physical location of assets.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Sales of by-products and scrap	2,178	7,827
Bank interest income	141	12
Interest income from loan receivables	1,507	1,973
Rental income	2,470	2,479
Sundry income	1,395	4,408
	<u>7,691</u>	<u>16,699</u>
Other gains and losses		
Net gain on disposal of property, plant and equipment	27	–
Net gain on disposal of right-of-use assets	105	–
Allowance for/(reversal of allowance for) expected credit losses on trade receivables	(750)	52
Allowance for/(reversal of allowance for) expected credit losses on loan receivables	(912)	103
Reversal of allowance for expected credit losses on other receivables	824	19
	<u>(706)</u>	<u>174</u>

5. FINANCE COST

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities/obligation under finance lease	<u>1,967</u>	<u>26</u>
	<u><u>1,967</u></u>	<u><u>26</u></u>

6. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	<u>808</u>	<u>914</u>
	<u><u>808</u></u>	<u><u>914</u></u>

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising from Hong Kong for the both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging the following items:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Directors' emolument	2,687	2,569
Salaries and allowances of other staffs	71,481	75,654
Contributions to retirement benefit scheme contributions of other staffs	5,100	6,389
	79,268	84,612
Repair and maintenance expenses	23,625	21,114
Auditors' remuneration	850	900
Operating lease rentals in respect of premises	–	14,104
Expenses relating to short term lease	595	–
Depreciation of property, plant and equipment	12,131	11,271
Depreciation of right-of-use assets	15,738	–
Impairment of property, plant and equipment	24,739	1,370
Net foreign exchange (gain)/loss	(3,751)	3,074
Share-based payment expense	–	8,500

8. DIVIDEND

No dividend was paid or proposed during the year ended 30 April 2020 (2019: Nil). The directors of the Company do not recommend the payment of a dividend for the year ended 30 April 2020 (2019: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Loss for the year attributable to the owners of the Company for the purposes of basic and diluted loss per share	(68,145)	(45,422)
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	188,022,110	188,022,110

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK\$68,145,000 (2019: HK\$45,422,000) and the weighted average of 188,022,110 ordinary shares (2019: (Restated) 188,022,110) in issue during the year as adjusted to reflect the effect of the share consolidation. The Share Consolidation of every twelve issued shares of a par value of HK\$0.08 each in the issued share capital of the Company be consolidated into one share of par value of HK\$0.96 each was effective on 5 May 2020. Comparative figures have also been adjusted on the assumption that the share consolidation had been effective in the prior period.

The computation of diluted loss per share for both years does not assume the exercise of the Company's outstanding share options as their exercise would result in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	70,279	53,893
Less: Allowance for expected credit losses	(933)	(183)
	<u>69,346</u>	<u>53,710</u>
Other receivables	2,242	56,672
Less: Allowance for expected credit losses	–	(824)
	<u>71,588</u>	<u>109,558</u>

The Group allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for expected credit losses presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	28,505	21,865
Between 31 and 60 days	25,096	21,246
Between 61 and 90 days	5,347	5,739
Over 90 days	10,398	4,860
	<u>69,346</u>	<u>53,710</u>

11. LOAN RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	–	–
Between 31 and 60 days	–	–
Between 61 and 90 days	–	–
Over 90 days	22,160	21,332
	<u>22,160</u>	<u>21,332</u>
Less: Allowance for expected credit losses	(1,921)	(1,009)
	<u>20,239</u>	<u>20,323</u>

The loan receivables were repaid in accordance with the terms of the loan agreements and all loan receivables are recoverable within one year.

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables		
Within 30 days	8,513	8,104
Between 31 and 60 days	6,328	4,413
Between 61 and 90 days	2,369	2,007
Over 90 days	3,002	3,217
	<hr/>	<hr/>
	20,212	17,741
Other payables	21	11
	<hr/>	<hr/>
	20,233	17,752
	<hr/> <hr/>	<hr/> <hr/>

The credit period on purchases of goods is ranging from 30 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the fiscal year under review, the Group reported a turnover of HK\$274.58 million, representing a decrease of 2.89% as compared with HK\$282.74 million for the previous year. The Group's consolidated loss for the year amounted to HK\$68.15 million as compared with a consolidated loss of HK\$45.42 million for the previous year. Basic and diluted loss per share was HK36.24 cents (2019 (restated): HK24.16 cents). Recurring LBITDA, computed as loss before tax excluding net fair value loss on financial asset at FVTPL, realised loss on disposal of financial asset at FVTPL, impairment of property, plant and equipment, depreciation and finance cost, amounted to a LBITDA of HK\$0.68 million (2019: Recurring LBITDA, computed as loss before tax excluding net fair value loss on financial asset at FVTPL, realised gain on disposal of financial asset at FVTPL, impairment of property, plant and equipment, depreciation and finance cost, amounted to a LBITDA of HK\$19.84 million).

Dividend

The Directors do not recommend the payment of a dividend for the year (2019: nil).

Business Review

During the year under review, the Group was suffered from unfavourable business environment and recorded a decrease in turnover by 2.89% to HK\$274.58 million (2019: HK\$282.74 million) during the year.

During the year, staff costs decreased by 6.31% to HK\$79.27 million (2019: HK\$84.61 million) representing 28.87% (2019: 29.93%) of the Group's turnover. Other expenses decreased by 7.81% to HK\$82.07 million (2019: HK\$89.02 million) representing 29.89% (2019: 31.48%) of the Group's turnover during the year. The Group will continue to monitor the market and consequently adjust its labour force and labour structure in order to achieve a better staff mix to enhance labour efficiency. The Group will also continuously tighten its expenditure in its efforts to minimise the impact of increasing factory operating costs.

Besides, the financial results of the Group were also affected by (i) the non-cash expense of an impairment of property, plant and equipment of HK\$24.74 million (2019: HK\$1.37 million) during the year under review due to the expected deterioration in the long-term profitability of the Group's business, and (ii) the net fair value loss on financial asset at FVTPL of HK\$11.38 million during the year under review. The net fair value loss on financial asset at FVTPL comprised of the fair value loss on investment in listed equity securities of China Properties Investment Holdings Limited ("CPI") (approximately HK\$3.29 million) and China Investment and Finance Group Limited ("CIF") (approximately HK\$3.88 million). Details of the financial asset at FVTPL are disclosed in the "Significant Investments" section below.

Prospects

The Group will continue to strengthen its engineering and production departments in order to maintain its competitive edges for short lead times and high production planning flexibility. These competitive edges will enable the Group to serve its customers better and should expand the Group's market share.

In order to improve the Group's operational performance, the Group will continue to implement plans to increase its production efficiency and capacity. In order to improve the Group's competitiveness and fulfill different production requirements, the Group would deploy resources to upgrade and restructure existing plants and machineries, and environmental protection facilities.

In addition, the Group will continue to explore other business opportunities with a view to expanding its principal manufacturing business and generating improved returns to our shareholders.

Significant Investments

Since there was no financial asset at FVTPL and other investments held by the Group valued more than 5% of the total assets of the Group as at 30 April 2020, there were no significant investments held by the Group. Details of the financial asset at FVTPL held by the Group were as follows:

	As at 30 April 2020		As at 30 April 2019
Financial asset at FVTPL	Fair value HK\$'000	Approximately percentage to the total asset	Fair value HK\$'000
Listed equity securities			
WLS Holdings Limited ("WLS")	24,806	4.77%	18,639
CIF	4,522	0.87%	8,398
CPI	4,336	0.83%	6,028
China e-Wallet Payment Group Limited ("CEW")	2,791	0.54%	–
Other listed equity securities (Note 1)	<u>6,415</u>	<u>1.23%</u>	<u>7,762</u>
Sub-total	<u>42,870</u>	<u>8.24%</u>	<u>40,827</u>
Unlisted equity securities			
The Fund	<u>–</u>	<u>–</u>	<u>3,064</u>
Total	<u><u>42,870</u></u>	<u><u>8.24%</u></u>	<u><u>43,891</u></u>

Note:

- As at 30 April 2020, other listed equity securities comprised 8 listed equity securities and none of them was more than 1% of the total assets of the Group.

WLS, CIF, CPI and CEW are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The major activities of WLS are the provision of scaffolding and fitting out services and other services for construction and buildings work, provision of gondolas, parapet railings and access equipment installation and maintenance services, money lending business, securities investment business and assets management business. The major activities of CIF are trading of securities and investment holding. The major activities of CPI are the properties investment, money lending and financial services. The major activities of CEW are the provision of programming and advertising solutions in mobile platform, and distribution of computer-related and mobile-related electronic products and accessories.

The Directors considered that the future prospects of the financial asset at FVTPL held by the Group may be affected by external market conditions, and the Directors will continue to monitor and assess the Group’s investment.

Liquidity and Financial Resources

During the year under review, the increase in Group’s cash flow generated from operating activities was mainly due to the decrease in other receivables from suppliers by approximately HK\$54.43 million.

As at 30 April 2020, the Group’s bank balances and cash amounted to HK\$154.89 million (2019: HK\$131.28 million). To finance its working capital, the Group has incurred total outstanding debts of HK\$59.66 million as at 30 April 2020 (2019: HK\$13.05 million), which comprised HK\$37.63 million (2019: HK\$0.46 million) of lease liabilities/obligations under finance leases and HK\$22.02 million (2019: HK\$12.60 million) of amount due to a director. In terms of interest costs, included in the outstanding debts, HK\$37.63 million (2019: HK\$0.46 million) was interest bearing and HK\$22.02 million (2019: HK\$12.60 million) was interest free.

The gearing ratio was 14.0% as at 30 April 2020 (2019: 2.8%).

Capital Structure

During the year under review, no material fluctuation was noted on the capital structure of the Group.

Foreign Exchange Risk Management

The Group’s transactions and monetary assets are primarily denominated in Hong Kong dollars, US dollars and Renminbi. The fluctuations in currency exchange rates during the year ended 30 April 2020 did not adversely affect the Group’s operations or liquidity.

During the year under review, no foreign exchange contract was entered into by the Group to hedge against the Group’s exposure to currency fluctuations and it is the policy of the Group not to enter into any derivative contracts purely for speculative activities.

Pledge of Assets

As at 30 April 2020 and 2019, the Group did not pledge any assets. As at 30 April 2020, motor vehicles with a carrying amount of approximately HK\$84,000 (2019: HK\$768,000) were assets held under lease liabilities/finance leases.

Capital Expenditure

During the year ended 30 April 2020, the Group invested HK\$3.40 million (2019: HK\$10.79 million) in acquiring property, plant and equipment. This capital expenditure was financed mainly from internal financial resources.

Employees and Emolument Policy

As at 30 April 2020, the total number of employees of the Group was approximately 780 (2019: 1,010). The Group maintains its emolument policy to ensure that employee remuneration is commensurate with job nature, qualifications and experience. The Group continues to offer competitive remuneration packages, share options and other benefits to eligible staff, based on the performance of the Group and of individual employees.

CAPITAL REORGANISATION

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 29 April 2020, with effect from 5 May 2020, (i) twelve issued shares of a par value of HK\$0.08 each in the issued share capital of the Company be consolidated into one share of a par value of HK\$0.96 each in the issued share capital of the Company (“Consolidated Share”) and (ii) the issued share capital of the Company be reduced by (a) rounding down the number of Consolidated Share in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (b) cancelling the paid up capital of the Company to the extent of HK\$0.95 on each of the then issued Consolidated Share such that the par value of each issued Consolidated Share be reduced from HK\$0.96 to HK\$0.01.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to building and maintaining best practice standards of corporate governance. The corporate governance principles of the Company emphasise a quality Board, effective internal controls, stringent disclosure practices and transparency, independence and accountability to all Shareholders.

The Company has adopted its own code on corporate governance practices incorporating the principles and code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules on the Stock Exchange.

During the year ended 30 April 2020, the Company has applied the principles and complied with all code provisions set out in the CG Code except for the deviations explained in the relevant paragraphs below.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Li Tung Lok has been the Chairman of the Board since the establishment of the Company in January 1989. Mr. Li has also served as the Chief Executive since January 1989 (except for the period from February 2004 to December 2008). Being the founder of the Group, Mr. Li's industry expertise and detailed understanding of the Company's operations is highly regarded by the Company. Accordingly, vesting the roles of Chairman of the Board and Chief Executive in Mr. Li adds significant value to the Company's business growth while enhancing the efficiency of the decision-making process in response to the changing environment. Given all major decisions are reserved to the Board and three out of seven Board members are independent non-executive Directors, the Company considers that there is an adequate balance of power and authority in place between the Board and the management of the Company.

Appointment, Retirement and Re-Election of Directors

Code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the bye-laws of the Company, half of the Directors (excluding Director(s) holding office as executive chairman and/or managing director, who is/are, by virtue of Bermuda law, exempted from retirement by rotation) shall retire from office at each annual general meeting of the Company and shall be eligible for re-election. As the executive Chairman of the Board, Mr. Li Tung Lok is not subject to retirement by rotation. In order to comply with Code provision A.4.2, Mr. Li Tung Lok has agreed to voluntarily retire and be re-elected at least once every three years. At the annual general meeting of the Company held on 31 October 2018, Mr. Li Tung Lok retired from office and was re-elected as an executive Director.

Attend the General Meeting

Code provision A.6.7 and E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the annual general meeting of the Company and non-executive Director should attend general meetings of the Company. Owing to other business engagements and evolving coronavirus (COVID-19) situation, the Chairman of the Board, Mr. Li Tung Lok and three independent non-executive Directors, Mr. Chu Chun On Franco, Ms. Chung Hoi Yan and Mr. Liu Rongrui were unable to attend the general meetings of the Company held on 30 October 2019 and 29 April 2020. However, the senior management and the executive Directors of the Company subsequently reported to them on the enquiries from the shareholders of the Company in the general meetings for them to gain and develop a balanced understanding of the views of shareholders of the Company.

AUDIT COMMITTEE

The Audit Committee was established in April 2000. As at 30 April 2020, the Audit Committee has consisted of three independent non-executive Directors, namely, Ms. Chung Hoi Yan (being the Chairman of the Audit Committee), Mr. Chu Chun On Franco and Mr. Liu Rongrui. Ms. Chung Hoi Yan is a qualified accountant with extensive experience in accounting, audit and financial matters.

The terms of reference of the Audit Committee are consistent with those set out in the CG Code and are posted on the websites of the Company and the Stock Exchange.

The major roles and functions of the Audit Committee include:

- overseeing the relationship between the Group and its external auditor;
- reviewing the appointment of the external auditor to ensure continuing auditor's independence;
- reviewing the Group's preliminary results, interim results and annual financial statements;
- monitoring the corporate governance of the Group including compliance with statutory and the Listing Rules requirements; and
- assisting the Board in fulfilling its responsibilities by providing an independent review and supervision of the Group's financial reporting system, and effectiveness of the Group's risk management and internal control systems.

The audited consolidated results of the Group for the year ended 30 April 2020 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for dealings in the securities of the Company by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of listed securities of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.qpl.com) and the Stock Exchange. The Company's annual report for the year ended 30 April 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to my fellow Directors and all staff for their efforts and contribution. Besides, I also would like to offer my sincere appreciation to all customers, business partners and Shareholders for their continuing support.

On behalf of the Board
QPL International Holdings Limited
Li Tung Lok
Executive Chairman and Chief Executive

Hong Kong, 27 July 2020

As at the date of this announcement, the Board comprises four Executive directors, namely Mr. Li Tung Lok (Executive Chairman and Chief Executive), Mr. Phen Hoi Ping, Patrick, Mr. Lai Sau Him Lok, Andrew and Ms. Tung Siu Ching and three Independent Non-executive directors, namely Ms. Chung Hoi Yan, Mr. Liu Rongrui and Mr. Chu Chun On, Franco.