Qualipak International Holdings Limited

確利達國際控股有限公司

(Incorporated in Bermuda with limited liability)
Website: www.qualipakhk.com
(Stock Code: 1332)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Qualipak International Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2012** **HK$'000**	2011 HK$'000
REVENUE	3, 4	**389,304**	418,660
Cost of sales		**(318,099)**	(332,735)
Gross profit		**71,205**	85,925
Other income and gains	4	**2,975**	3,564
Selling and distribution expenses		**(14,688)**	(14,969)
Administrative expenses		**(32,841)**	(27,913)
Other expenses		**(966)**	294
Share of profits and losses of associates		**486**	(480)
PROFIT BEFORE TAX	5	**26,171**	46,421
Income tax expense	6	**(3,256)**	(4,931)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22,915**	41,490

	Note	2012 HK$'000	2011 HK$'000
Attributable to:			
Owners of the parent		**20,341**	37,828
Non-controlling interests		**2,574**	3,662
		22,915	41,490
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**14.93 cents**	29.24 cents

Details of dividend are disclosed in note 7 to this results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**121,247**	124,843
Prepaid land lease payments		**13,341**	13,742
Investments in associates		**1,111**	625
Total non-current assets		**135,699**	139,210
CURRENT ASSETS			
Prepaid land lease payments		**402**	402
Inventories		**36,141**	39,007
Trade and bills receivables	9	**51,611**	45,916
Prepayments, deposits and other receivables		**4,889**	4,600
Tax recoverable		**875**	-
Pledged deposits		**7,516**	-
Cash and cash equivalents		**74,004**	59,798
Total current assets		**175,438**	149,723
CURRENT LIABILITIES			
Trade and bills payables	10	**31,651**	38,329
Other payables and accruals		**28,640**	29,783
Due to a related party	11	**-**	52,409
Tax payable		**-**	901
Total current liabilities		**60,291**	121,422
NET CURRENT ASSETS		**115,147**	28,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**250,846**	167,511

	Note	**2012**	2011
		HK$'000	HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,538**	1,017
Net assets		**249,308**	166,494
EQUITY			
Equity attributable to owners of the parent			
Issued capital	12	**14,377**	-
Reserves		**233,330**	164,037
		247,707	164,037
Non-controlling interests		**1,601**	2,457
Total equity		**249,308**	166,494

Notes:

1. CORPORATE INFORMATION AND GROUP REORGANISATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2012 (the "Listing Date").

The principal activities of the Company are investment holding and provision of corporate management services. The Group is principally engaged in the design, development, manufacture and sale of packaging products and point-of-sales display units.

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 15 May 2012. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" under the section headed "History, Development and Corporate Reorganisation" in the prospectus (the "Prospectus") of the Company dated 28 June 2012.

2.1 BASIS OF PREPARATION

Pursuant to the Reorganisation, the subsidiaries now comprising the Group were under common control of the controlling shareholder before and after the Reorganisation. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the financial periods presented.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a derivative financial instrument which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

<u>Basis of consolidation</u>
The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributable to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

As aforementioned, the consolidated financial statements have been prepared on a basis by applying the principles of merger accounting as the Reorganisation involved business combination of entities under common control and the Group is regarded and accounted for as a continuing group. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented rather than from the date of their acquisition. Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 2011 and 2012 include the financial information of the Company and its subsidiaries with effect from 1 January 2011 or since their respective dates of incorporation, whichever is shorter. The consolidated statement of financial position of the Group as at 31 December 2011 has been prepared to present the state of affairs of the Group as if the current group structure had been in existence at that date or since the respective dates of incorporation of the subsidiaries of the Company, whichever is the shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these revised HKFRSs has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one operating segment which is the manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

Revenue from external customers based on the locations of these customers is analysed as follows:

	2012 **HK$'000**	2011 HK$'000
Europe	**136,015**	154,850
Hong Kong	**141,474**	145,461
North and South America	**81,933**	83,539
Others	**29,882**	34,810
	389,304	418,660

The geographical locations of the Group's non-current assets are analysed as follows:

	2012	2011
	HK$'000	HK$'000
Hong Kong	**70,089**	72,094
Mainland China	**65,610**	67,116
	135,699	139,210

The non-current asset information above is based on the locations of the assets.

Information about a major customer

Revenue of approximately HK$66,250,000 (2011: HK$81,700,000) was derived from sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units to a single customer, which accounted for more than 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains is as follows:

	2012	2011
	HK$'000	HK$'000
Bank interest income	**89**	26
Other interest income	**-**	890
Sale of scrap materials	**532**	910
Gain on disposal of items of property, plant and equipment	**62**	56
Gross rental income	**678**	492
Foreign exchange gains, net	**-**	380
Fair value gain on derivative financial instruments	**393**	708
Forfeiture of deposits from customers	**865**	-
Others	**356**	102
	2,975	3,564

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2012 HK$'000	2011 HK$'000
Cost of inventories sold	**318,038**	334,273
Depreciation	**4,983**	5,834
Amortisation of prepaid land lease payments	**401**	402
Minimum lease payments under operating leases in respect of land and buildings	**212**	921
Auditors' remuneration	**1,585**	530
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**92,870**	94,364
Pension scheme contributions	**9,485**	3,455
	102,355	97,819
Gross rental income	**(678)**	(492)
Direct operating expenses (including repairs and maintenance) arising on rental-earning properties	**51**	177
Net rental income	**(627)**	(315)
Foreign exchange differences, net	**659***	(380)
Impairment/(write-back of impairment) of trade receivables	**307***	(294)*
Write-down/(write-back) of inventories to net realisable value	**61**	(1,538)

* These items are included in "Other expenses" on the face of the consolidated statement of comprehensive income.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The Group's subsidiaries, which are established in the People's Republic of China, had no assessable profit during the year.

	2012 HK$'000	2011 HK$'000
Current – Hong Kong		
Charge for the year	**2,789**	5,008
Underprovision/(overprovision) in prior years	**(54)**	1
Deferred	**521**	(78)
Total tax charge for the year	**3,256**	4,931

7. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2011: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the year ended 31 December 2012 is based on the profit attributable to ordinary equity holders of the parent of HK$20,341,000 (2011: HK$37,828,000) and the weighted average number of ordinary shares of 136,203,824 (2011: 129,389,994) in issue during the year, as if the Reorganisation had been effective since 1 January 2011.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2012 includes 127,196,162 ordinary shares of the Company in issue, and 2,193,832 ordinary shares of the Company issued pursuant to the capitalisation issues as if the shares had been in issue throughout the year ended 31 December 2012, and 14,375,999 ordinary shares of the Company issued on 11 July 2012 in connection with the listing of the ordinary shares of the Company on the Stock Exchange.

The number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2011 was based on 129,389,994 ordinary shares, representing the number of ordinary shares of the Company immediately after the capitalisation issues, as if the shares had been in issue throughout the year ended 31 December 2011.

The Group had no potentially dilutive ordinary shares in issue during those years.

9. TRADE AND BILLS RECEIVABLES

	2012 **HK$'000**	2011 HK$'000
Trade and bills receivables	**52,666**	46,664
Impairment	**(1,055)**	(748)
	51,611	45,916

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the due date and net of provisions, is as follows:

	2012 **HK$'000**	2011 HK$'000
Neither past due nor impaired	**32,574**	27,677
Past due but not impaired:		
Less than 1 month	**13,519**	11,374
1 to 2 months	**3,475**	3,476
2 to 3 months	**419**	883
Over 3 months	**1,624**	2,506
	51,611	45,916

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	HK$'000	HK$'000
Within 1 month	**26,202**	28,466
1 to 2 months	**5,089**	8,997
2 to 3 months	**98**	456
Over 3 months	**262**	410
	31,651	38,329

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

11. DUE TO A RELATED PARTY

At 31 December 2011, the balance represented an amount due to a company, the then immediate holding company of the Company, C C Land Holdings Limited ("CC Land"). The balance was unsecured, interest-free and had no fixed terms of repayment. Upon the listing of shares of the Company on the Listing Date, the Company and CC Land are under common control of a controlling shareholder.

On 24 February 2012, an amount of HK$43,000,000 was waived by CC Land and was recognised as a capital contribution from a shareholder. The remaining balance was fully repaid by the Group in cash on 8 June 2012.

12. SHARE CAPITAL

Shares

	2012	2011
	HK$'000	HK$'000
Authorised:		
1,000,000,000 (2011: 500,000) ordinary shares of HK$0.10 each	**100,000**	50
Issued and fully paid:		
143,765,993 (2011: 1) ordinary shares of HK$0.10 each	**14,377**	-

The movements in the Company's authorised and issued share capital during the period from 24 October 2011 (date of incorporation) to 31 December 2012 were as follows:

	Notes	Number of ordinary shares of HK$0.10 each	Nominal value of ordinary shares HK$'000
Authorised:			
At 24 October 2011 (date of incorporation)	(i)	500,000	50
At 31 December 2011 and 1 January 2012		500,000	50
Increase in authorised share capital on 15 May 2012	(ii)	999,500,000	99,950
At 31 December 2012		1,000,000,000	100,000

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Total HK$'000
Issued and fully paid:						
At 28 November 2011	(iii)	1	-	-	-	-
At 31 December 2011 and 1 January 2012		1	-	-	-	-
Issue of new shares pursuant to share swap on 15 May 2012	(iv)	127,196,161	12,720	-	(12,642)	78
Capitalisation issues on 11 July 2012	(v)	2,193,832	219	-	(219)	-
Issue of new shares on 11 July 2012	(vi)	14,375,999	1,438	21,420	-	22,858
		143,765,993	14,377	21,420	(12,861)	22,936
Share issue expenses		-	-	(2,687)	-	(2,687)
At 31 December 2012		143,765,993	14,377	18,733	(12,861)	20,249

(i) At the date of incorporation, the authorised share capital of the Company was HK$50,000 divided into 500,000 shares of HK$0.10 each.

(ii) Pursuant to an ordinary resolution passed on 15 May 2012, the authorised share capital of the Company was increased from HK$50,000 to HK$100,000,000 by the creation of additional 999,500,000 shares of HK$0.10 each, ranking pari passu in all respects with the existing shares of the Company.

(iii) On 28 November 2011, one share of HK$0.10 was allotted and issued, at nil paid, to CC Land.

(iv) On 15 May 2012, the Company entered into a sale and purchase agreement with CC Land, to acquire from CC Land the entire issued share capital of Qualipak Development Limited, the then direct wholly-owned subsidiary of CC Land, in exchange for which the Company allotted and issued 127,196,161 ordinary shares, all credited as fully paid to CC Land and the then one nil paid share held by CC Land was also credited as fully paid.

(v) Pursuant to the written resolution of CC Land passed on 19 June 2012, the directors had authorised to capitalise HK$219,000 standing to the credit of the contributed surplus account of the Company and apply the same to pay up in full at par 2,193,832 ordinary shares for allotment and issue to CC Land on 11 July 2012.

(vi) On 11 July 2012, 14,375,999 ordinary shares of HK$0.10 each were issued at a price of HK$1.59 per share for a total consideration, before expenses, of approximately HK$22,858,000. Dealing in these shares on the Stock Exchange commenced on 12 July 2012.

FINAL DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 16 May 2013 to Monday, 20 May 2013, both days inclusive, for determining the eligibility of shareholders for attending and voting at the annual general meeting of the Company to be held on 20 May 2013. In order to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m. on Wednesday, 15 May 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the design, development, manufacture and sale of packaging products and point-of-sales display units. Its product portfolio is principally packaging products for watches, jewellery and eyewear products, comprising packaging cases, bags and pouches and display units. The majority of these products are manufactured in processing factories located in Zhongshan and Guanlan, the PRC (collectively the “PRC Processing Factories”). The Group’s customers include owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products. The Group has over 20 years of experience in the packaging industry and has long business relationship with its customers, some of which for over 15 years.

In the first half of 2012, the global market remained weak and global demand for packaging products was falling as consumer sentiment in different regions of the world for consumer goods continued to decline. Although the Group continued to experience such a challenging economic and operating climate in the second half of 2012, through a series of cost control measures and extra efforts in marketing and promotion, it was able to maintain a stable performance as in the first half of 2012.

During the year ended 31 December 2012, owing to the declining global market demand for consumer products which affected the packaging industry for items such as watches, jewellery and eyewear, the Group’s revenue, net profit and net profit margin decreased to HK$389.3 million (2011: HK$418.7 million), HK$22.9 million (2011: HK$41.5 million) and 5.9% (2011: 9.9%), respectively.

FINANCIAL REVIEW

Revenue

The Group primarily derives revenue from the sale of packaging cases, bags and pouches and display units for watches, jewellery and eyewear products to customers. Its customers include internationally renowned brands of watches, jewellery and eyewear products and others like traders of packaging and display products. The revenue of the Group decreased by 7.0% to HK$389.3 million (2011: HK$418.7 million). This was primarily due to a decrease of HK$29.8 million and HK$8.0 million in its revenue generated by packaging cases and display units, respectively as a result of the drop in global market demand for packaging cases and display units.

The following tables set forth the breakdown of the Group's revenue by product categories and by geographical locations of its customers during the year:

	For year ended 31 December			
		2012		2011
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue
	HK$'000	**%**	HK$'000	%
Packaging cases	**251,860**	**64.7**	281,692	67.3
Bags and pouches	**20,213**	**5.2**	17,127	4.1
Display units	**95,579**	**24.5**	103,580	24.7
Others	**21,652**	**5.6**	16,261	3.9
	389,304	**100.0**	418,660	100.0

	For year ended 31 December			
		2012		2011
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue
	HK$'000	**%**	HK$'000	%
Europe	**136,015**	**34.9**	154,850	37.0
Hong Kong	**141,474**	**36.4**	145,461	34.7
North and South America	**81,933**	**21.0**	83,539	20.0
Others	**29,882**	**7.7**	34,810	8.3
	389,304	**100.0**	418,660	100.0

The revenue by product type remained relatively stable. The sales of packaging cases remained the key product line and contributed 64.7% of the total revenue (2011: 67.3%) for the year ended 31 December 2012. Another product line, display units, accounted for 24.5% of the total revenue (2011: 24.7%). The sales of packaging cases and display units had shown a decrease of 10.6% and 7.7%, respectively over the last year, primarily attributable to the drop in global market demand. Europe, Hong Kong, and North and South America are the major markets of the Group's products. Due to the decrease in sales for the watch industry and consumer products in major European countries, Hong Kong became the largest market for the year ended 31 December 2012. The revenue generated from sales to customers located in Europe was HK$136.0 million, a decrease of HK$18.8 million over the last year, as compared with the revenue generated from sales to customers in Hong Kong of HK$141.5 million, a decrease of HK$4.0 million over the last year.

Cost of Sales

The cost of sales primarily consists of the costs of production materials and procurement, processing fees incurred for the operation of the PRC Processing Factories and other factory overheads.

With the decrease in revenue, the cost of sales of the Group decreased by 4.4% to HK$318.1 million (2011: HK$332.7 million). In addition, the percentage of cost of sales to the total revenue was 81.7% (2011: 79.5%), representing an increase of 2.2% over the last year, primarily due to the increase in average costs of production materials and procurement and the increase in processing fees payable per unit of the Group's products to the PRC Processing Factories which in turn was primarily affected by the increase in average labour costs of the PRC Processing Factories per unit of the Group's products.

The following table set forth the breakdown of the Group's cost of sales during the year:

	For year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Costs of production materials and procurement	**201,769**	207,119
Processing fees	**89,904**	96,076
Other factory overheads	**26,426**	29,540
	318,099	332,735

The costs of production materials and procurement represented the largest component of cost of sales, which accounted for 51.8% of the total revenue (2011: 49.5%), representing an increase of 2.3% over the last year. The increase in percentage of costs of production materials and procurement to the total revenue was primarily attributable to the increase in average costs of major production materials used in the production such as paper, resin and fabric.

The processing fees accounted for 23.1% of the total revenue (2011: 22.9%), representing an increase of 0.2% over the last year. The slight increase in percentage of processing fees to the total revenue was primarily attributable to the increase in processing fees payable per unit of the Group's products to the PRC Processing Factories which in turn was primarily affected by the increase in average labour costs of the PRC Processing Factories per unit of the Group's products.

Gross Profit and Gross Profit Margin

The Group's gross profit was HK$71.2 million (2011: HK$85.9 million), representing a decrease of HK$14.7 million or 17.1% over the last year. During the year under review, the gross profit margin decreased by 2.2% to 18.3% (2011: 20.5%). The decrease in gross profit and gross profit margin was mainly attributable to the decrease in revenue, the increase in average costs of production materials and procurement and the increase in processing fees per unit of the Group's products to the PRC Processing Factories.

Other Operating Expenses

The Group's selling and distribution expenses decreased by 1.9% to HK$14.7 million for the year ended 31 December 2012 (2011: HK$15.0 million). The decrease was mainly attributable to the decrease in sales volume during the year. However, due to higher per unit freight and distribution charged for delivery and increased staff costs, the Group's selling and distribution expenses accounted for 3.8% of the Group's total revenue (2011: 3.6%), representing an increase of 0.2%.

The Group's administrative expenses increased by 17.7% to HK$32.8 million for the year ended 31 December 2012 (2011: HK$27.9 million). The increase was mainly attributable to the increase in provision of directors' remuneration and inclusion of annual statutory expenses.

Other Businesses

The 30% owned associated company, Technical International Holdings Limited, returned to profitability. The share of profit from the associated company amounted to HK$0.5 million (2011: loss of HK$0.5 million), due to the sharp improvement in the second half of 2012, primarily attributable to positive seasonal factors, the introduction of new products, and efforts to implement remedial measures to reduce operating costs.

Net Profit

For the year ended 31 December 2012, the profit attributable to owners of the parent amounted to HK$20.3 million (2011: HK$37.8 million), representing a decrease of 46.2%. The decrease of net profit was mainly attributable to the decrease in revenue, the increase in average costs of production materials and procurement and the increase in processing fees per unit of its product to the PRC Processing Factories during the year which in turn was primarily affected by the increase in average labour costs of the PRC Processing Factories per unit of the Group's products.

Liquidity, Financial Resources and Pledged of Assets

The Group generally finances its operations with internally generated funds and available banking facilities. As at 31 December 2012, the Group had no outstanding bank borrowings (2011: Nil).

As at 31 December 2012, the Group had aggregate cash and bank balances and time deposits amounting to HK$81.5 million (2011: HK$59.8 million), which included HK$7.5 million (2011: Nil) of deposits pledged to banks.

Gearing ratio is measured by net bank borrowings (bank borrowings less available bank balances) as a percentage of equity. As the Group had no outstanding bank borrowings as at 31 December 2012, there was no gearing ratio available as at 31 December 2012 (2011: N/A).

As at 31 December 2012, the Group had pledged certain of its leasehold properties and deposits with aggregated amounts of HK$36.1 million and HK$7.5 million, respectively, as securities for general banking facilities granted to the Group and its associates, as appropriate.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2012.

Foreign Exchange Risk

The sale and purchase transactions of the Group's manufacturing business are primarily conducted in US dollars and Hong Kong dollars. On account of the relatively short time required for revenue recognition for the packaging business, the foreign exchange exposure is considered minimal. However, the Group is indirectly exposed to currency risk of RMB, which arises from the payment of the processing fees to the PRC Processing Factories. The Group has entered into non-deliverable forward currency contracts to manage its foreign currency risks during the year.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no significant investment held as at 31 December 2012, nor other material acquisition and disposal of subsidiaries during the year.

EMPLOYEES

As at 31 December 2012, the Group had a workforce of 77 employees and the PRC Processing Factories had 1,480 employees. The employees are remunerated based on their merit, qualification, competence and prevailing market situation. The Group has also established an incentive bonus scheme to reward employees based on individual performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. Other benefits include contributions to a provident fund scheme, mandatory provident fund, and medical insurance.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Stock Exchange on 12 July 2012 and raised net proceeds of HK$20.2 million. As at 31 December 2012, the unused proceeds of HK$15.2 million were deposited into licensed banks in Hong Kong.

As at 31 December 2012, the net proceeds had been utilised as follows:

	Actual net proceeds HK$ million	Amount utilised up to 31 December 2012 HK$ million	Balance as at 31 December 2012 HK$ million
Acquisition and replacement of machinery and equipment	8.1	1.2	6.9
Explore new business opportunities and enhance market awareness of the Group's products	8.1	2.7	5.4
Enhance the Group's product design and development capability	2.0	0.1	1.9
Working capital and other general corporate purposes	2.0	1.0	1.0
	20.2	5.0	15.2

PROSPECTS

Looking forward, the global economic environment will continue to be uncertain. Faced with the stagnant economic environment of the United States and the uncertain debt crisis in major European countries, the global market demand for consumer products remains volatile.

To stay competitive in the market, the Group will increase its efforts in promotion through participation in all major local and overseas exhibitions and expand its portfolio of packaging models to keep abreast of market trends. The Group will continue to uphold its proven track record and reputation of punctually delivering consistent and high quality products by optimising quality control system and performing stringent quality control measures in every area of its operations.

In order to tackle the increase in production costs and maintain its profitability, the Group will continue to exercise stringent cost controls, streamline the production processes and reduce material usage and wastage. With the appropriate strategies in place, the Group is confident that it will remain profitable.

Amid the changing competitive landscape, the directors will proactively look into opportunities to further extend the Group's growth momentum in the packaging business and to explore new business ventures to capture new business opportunities in order to broaden the Group's sources of income and enhance the value of the Group.

CORPORATE GOVERNANCE

During the period from the Listing Date to 31 December 2012, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and there is no deviation from any provision of the Code throughout the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made of all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the period from the Listing Date to 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the period from the Listing Date to 31 December 2012.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's consolidated financial statements for the year ended 31 December 2012.

PUBLICATION OF THE RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.qualipakhk.com and the HKExnews website at www.hkexnews.hk. The Company's 2012 Annual Report will also be available on these two websites and despatched to the shareholders of the Company in due course.

By order of the Board
Lam How Mun Peter
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the Board comprises Ms. Poon Ho Yee Agnes, Mr. Lam Hiu Lo, Mr. Leung Chun Cheong and Mr. Wu Hong Cho as Executive Directors; Dr. Lam How Mun Peter and Mr. Leung Wai Fai as Non-executive Directors; and Mr. Chan Sze Hung, Dr. Leung Wai Keung and Mr. Tam Kwok Fai Paul as Independent Non-executive Directors.