



QUALIPAK

INTERNATIONAL HOLDINGS LIMITED

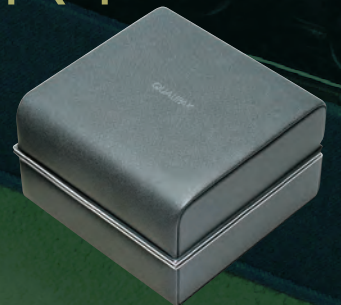
(Incorporated in Bermuda with limited liability)



Stock Code: 1332



INTERIM REPORT 2013



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ms. Poon Ho Yee Agnes (*Managing Director*)
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Wu Hong Cho

Non-executive Directors

Dr. Lam How Mun Peter (*Chairman*)
Mr. Leung Wai Fai

Independent Non-executive Directors

Mr. Chan Sze Hung
Dr. Leung Wai Keung
Mr. Tam Kwok Fai Paul

AUDIT COMMITTEE

Mr. Tam Kwok Fai Paul (*Chairman*)
Mr. Chan Sze Hung
Dr. Leung Wai Keung

NOMINATION COMMITTEE

Dr. Lam How Mun Peter (*Chairman*)
Ms. Poon Ho Yee Agnes
Mr. Chan Sze Hung
Dr. Leung Wai Keung
Mr. Tam Kwok Fai Paul

REMUNERATION COMMITTEE

Mr. Chan Sze Hung (*Chairman*)
Dr. Lam How Mun Peter
Dr. Leung Wai Keung
Mr. Tam Kwok Fai Paul

AUTHORISED REPRESENTATIVES

Ms. Poon Ho Yee Agnes
Mr. Wu Hong Cho

COMPANY SECRETARY

Ms. Fung Pui Ling

WEBSITE

www.qualipakhk.com

STOCK CODE

1332

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas, Hong Kong Branch

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office

Tricolor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors (the “Directors” or the “Board”) of Qualipak International Holdings Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013.

OVERVIEW

In the first half of 2013, the macro-economic environment remained challenging.

With frail economic conditions still lingering in Eurozone countries and a slow economic recovery in the United States, sale orders from these two major markets were unsteady and generally placed for very conservative quantities with tight delivery schedules.

In addition, operating costs of the Group have been driven up by the rising material and labour costs. During the period under review, the minimum wages in Zhongshan and Guanlan, where the processing factories of the Group are located, were both increased significantly. The continuing opening up of inland provinces, traditionally an important source of China’s labour force, led to a shortage of skilled labour in many parts of China. As a result, the Group needs to maintain a highly competitive pay level to recruit and retain workers in its processing factories.

Faced with these challenges, the Group adopted stronger sales and marketing strategies to expand the product portfolio and sales to customers located in Hong Kong and nearby Asia Pacific regions to capture the middle class market in these regions. The Group’s revenue generated from the Asia Pacific markets, especially Hong Kong, achieved an encouraging improvement in the first half of 2013.

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 products are supplied to owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products, which ultimately trade in the retail market worldwide. 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.

The transformation of the processing factory in Guanlan (the “Guanlan Processing Factory”) from a processing arrangement to the legal status of a wholly foreign owned enterprise was completed in the first half of 2013. The transformation enables the Guanlan wholly foreign owned enterprise to enter into sales contracts as a principal party for sales in Mainland China. This is in line with the Group’s business strategy to explore and broaden the customer base in the Mainland China domestic market, as well as to maintain business opportunities with the Mainland China branches of the Group’s internationally renowned customers. However, as certain employees at the Guanlan Processing Factory had treated the transformation of the legal status of the processing arrangement as a cessation of their employment, an one-off settlement payment amounting in aggregate to approximately HK\$3.9 million had to be made to these employees during the period.

Under the dedicated effort of the Group’s staff, sales revenue for the first half of 2013 managed a growth of 27.5% to HK\$214.2 million (six months ended 30 June 2012: HK\$168.0 million). However, despite all cost control measures, operating costs unavoidably rose. Under the current business climate, it is difficult to pass on all the cost increments to the customers. In light of the continuous increase in operating costs and labour costs and the recognition of the above one-off settlement payment, the Group’s net profit and net profit margin decreased to HK\$8.6 million (six months ended 30 June 2012: HK\$11.7 million) and 4.0% (six months ended 30 June 2012: 7.0%), respectively. Excluding the above one-off settlement payment, the Group’s net profit and net profit margin generated from the ordinary activities were HK\$12.5 million and 5.8%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group has only one operating segment, which is the manufacture and sale of packaging cases, bags and pouches and display units for watches, jewellery and eyewear products. 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 increased by 27.5% to HK\$214.2 million (six months ended 30 June 2012: HK\$168.0 million). This was primarily due to an increase of HK\$12.9 million and HK\$33.4 million in its revenue generated by packaging cases and display units, respectively as a result of the improvement in market demand for packaging cases and display units in Hong Kong and the American markets.

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

	Six months ended 30 June			
	2013		2012	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK\$'000	%	HK\$'000	%
Packaging cases	129,127	60.3	116,221	69.2
Bags and pouches	9,992	4.7	7,567	4.5
Display units	64,974	30.3	31,607	18.8
Others	10,106	4.7	12,612	7.5
	214,199	100.0	168,007	100.0

	Six months ended 30 June			
	2013		2012	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK\$'000	%	HK\$'000	%
Europe	57,582	26.9	64,196	38.2
Hong Kong	103,561	48.4	54,417	32.4
North and South America	37,329	17.4	35,938	21.4
Others	15,727	7.3	13,456	8.0
	214,199	100.0	168,007	100.0

The revenue by product type remained relatively stable. The sales of packaging cases remained the key product line and contributed 60.3% of the total revenue (six months ended 30 June 2012: 69.2%) for the six months ended 30 June 2013. Another product line, display units, accounted for 30.3% of the total revenue (six months ended 30 June 2012: 18.8%). The sales of packaging cases and display units had shown an increase of 11.1% and 105.6%, respectively as compared to the corresponding period of last year, primarily attributable to the improvement in market demand for packaging cases and display units in Hong Kong and the American markets. Europe, Hong Kong, and North and South America are the major markets of the Group's products. Due to the ongoing weak demand for the watch industry and consumer products in major European countries, Hong Kong became the largest market for the six months ended 30 June 2013. The revenue generated from sales to customers located in Europe was HK\$57.6 million, a decrease of HK\$6.6 million as compared to the corresponding period of last year, whereas the revenue generated from sales to customers in Hong Kong was HK\$103.6 million, an increase of HK\$49.1 million as compared to the corresponding period of last year.

Cost of Sales

During the period under review, the cost of sales of the Group increased by 32.6% to HK\$180.1 million (six months ended 30 June 2012: HK\$135.9 million). The percentage of cost of sales to total revenue was 84.1% (six months ended 30 June 2012: 80.9%), representing an increase of 3.2% as compared to the corresponding period of last year, primarily due to the increase in average costs of production materials and procurement, the increase in average labour costs of the PRC Processing Factories and the one-off settlement payment to certain employees arising from the cessation of their employment due to the transformation of the Guanlan Processing Factory.

Gross Profit and Gross Profit Margin

Due to the increase in revenue during the period, the Group's gross profit was HK\$34.1 million (six months ended 30 June 2012: HK\$32.1 million), representing an increase of HK\$2.0 million or 6.0% as compared to the corresponding period of last year. However, the gross profit margin decreased by 3.2% to 15.9% (six months ended 30 June 2012: 19.1%). The decrease in gross profit margin was mainly attributable to the increase in average costs of production materials and procurement, the increase in average labour costs of the PRC Processing Factories and the one-off settlement payment to certain employees arising from the cessation of their employment due to the transformation of the Guanlan Processing Factory. Excluding the above one-off settlement payment, the Group's gross profit and gross profit margin generated from the ordinary activities were HK\$37.9 million and 17.7%, respectively.

Other Operating Expenses

The Group's selling and distribution expenses slightly increased by 1.5% to HK\$7.1 million for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$7.0 million). The increase was mainly attributable to the increase in salaries of the sales and marketing staff.

The Group's administrative expenses increased by 34.1% to HK\$17.1 million for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$12.8 million). The increase was mainly attributable to the increase in salaries of the administrative staff, increase in provision of directors' remuneration and rise in statutory expenses.

Other Businesses

The share of loss from the 30% owned associated company, Technical International Holdings Limited, amounted to HK\$0.8 million (six months ended 30 June 2012: loss of HK\$0.5 million). The business environment is likely to remain challenging. Based on the historical trend of seasonal trade patterns, the business is expected to improve in the second half of this year.

Net Profit

For the six months ended 30 June 2013, the profit attributable to owners of the parent decreased by 46.4% to HK\$6.1 million (six months ended 30 June 2012: HK\$11.5 million). The decrease in net profit was primarily due to the increase in average costs of production materials and procurement and the one-off settlement payment to certain employees arising from the cessation of their employment due to the transformation of the Guanlan Processing Factory.

Capital Expenditure

For the six months ended 30 June 2013, the Group invested HK\$1.0 million in machinery and equipment. All these capital expenditure were financed from internal resources.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group's financial resources remain strong and healthy. As at 30 June 2013, the Group was debt-free and had aggregate cash and bank balances and time deposits amounting to HK\$93.2 million (31 December 2012: HK\$81.5 million), which included HK\$7.5 million (31 December 2012: HK\$7.5 million) of deposits pledged to banks.

Gearing Ratio

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 30 June 2013 (31 December 2012: Nil), gearing ratio was nil as at 30 June 2013 (31 December 2012: Nil).

Pledged of Assets

As at 30 June 2013, the Group had pledged certain of its leasehold properties and deposits with aggregated amounts of HK\$35.7 million (31 December 2012: HK\$36.1 million) and HK\$7.5 million (31 December 2012: HK\$7.5 million), respectively, to secure general banking facilities granted to its subsidiary and associates, as appropriate.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2013.

Foreign Exchange Risk

Most of the Group's sale and purchase transactions are conducted in US dollars and Hong Kong dollars. Therefore, 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 and other cost items denominated in RMB. The Group has entered into non-deliverable forward currency contract to manage its foreign currency risk during the period.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no significant investment held as at 30 June 2013, nor other material acquisition and disposal of subsidiaries during the period.

EMPLOYEES

As at 30 June 2013, the Group had a workforce of 78 employees in Hong Kong and 1,425 employees in Mainland China. The Group remunerates the staff members 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 of Hong Kong Limited on 12 July 2012 and raised net proceeds of HK\$20.2 million. As at 30 June 2013, the unused proceeds of HK\$11.9 million were deposited with licensed banks in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2013, the net proceeds had been utilised as follows:

	Actual net proceeds HK\$ million	Amount utilised up to 30 June 2013 HK\$ million	Balance as at 30 June 2013 HK\$ million
Acquisition and replacement of machinery and equipment	8.1	2.3	5.8
Explore new business opportunities and enhance market awareness of the Group's products	8.1	4.1	4.0
Enhance the Group's product design and development capability	2.0	0.1	1.9
Working capital and other general corporate purposes	2.0	1.8	0.2
	20.2	8.3	11.9

PROSPECTS

Looking ahead to the rest of year 2013, given the slow economic recovery of the United States, continuing weak domestic demand in Europe coupled with negative economic growth in the aftermath of her sovereign debt crisis, and China's slowdown in GDP growth overclouding the worldwide economic horizon, the consumer products industry is expected to be volatile and tough.

Despite luxury brands experiencing an encouraging growth in recent years backed by a robust flow of visitors from growth engine countries, particularly China, the recent tightened monetary policy adopted by the Chinese government signals caution to the luxury goods industry. The noticeably slowing economic growth, amid the recent freeze-up of China's bank-to-bank lending market forcing banks to raise effective interest rates and cut back their lending, is cooling the growth pace of luxury purchases. At the same time, domestic demand in Europe will most likely remain depressed for the rest of year 2013 under a contracting economy. All these point to a slowdown in consumer demand momentum caused by stagnant spending power and a conservative spending pattern over luxury brands in the second half of 2013.

In common with the difficulties facing other packaging manufacturers, increasing costs arising from the increasing labour costs in China is expected to adversely affect the profit margin of the Group in spite of some success in raising selling prices to mitigate the increasing production costs. Additionally, the Group's order intake is unsteady for the last two quarters of year 2013 due to short delivery cycle time which, in turn, adds extra cost burdens to the production. In view of the continuously increasing costs and the recognition of the aforesaid one-off settlement payment to certain employees of the Guanlan Processing Factory, the Directors expect that, should the consumer demand momentum slowdown materialise, the profit of the Group for the full year 2013 may fall substantially below the level achieved in 2012.

In response to the challenging business environment, the Group will strive to further improve its operational efficiency through acquisition of new machinery, and simultaneously enhancing semi-automated production processes. At the same time, the Group will devote extra efforts to further broaden the income stream by diversifying the product portfolio and its customer base.

In the midst of challenges and uncertainties, the Directors will continue to implement forward-looking business strategies as well as proactively seize new business opportunities in order to explore the Group's sources of income and maximise its value and return to shareholders.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2013, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in shares of the Company (long positions)

Name of directors	Capacity in which interests are held	Number of shares held	(Note) Approximate percentage
Dr. Lam How Mun Peter	Beneficial owner	15,926	0.01
Ms. Poon Ho Yee Agnes	Beneficial owner	5,200	0.00
Mr. Leung Chun Cheong	Beneficial owner	32,733	0.02

Note: Approximate percentage refers to the number of shares which a director held expressed as a percentage (rounded up to two decimal places) of the issued share capital of the Company as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company adopted a share option scheme on 18 May 2012, details of which were disclosed in the Company's prospectus dated 28 June 2012 and are set out in note 13 to these unaudited interim condensed consolidated financial statements. No share option has been granted since its adoption.

DISCLOSURE OF INTERESTS

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2013, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held (long position)	Approximate percentage ³
Mr. Cheung Chung Kiu (“Mr. Cheung”)	Interest of controlled corporation	72,726,098 ^{1&2}	50.58
Thrivetrade Limited (“Thrivetrade”)	Beneficial owner	58,385,656 ¹	40.61
Regulator Holdings Limited (“Regulator”)	Beneficial owner	14,340,442 ²	9.97
Yugang International (B.V.I.) Limited (“Yugang-BVI”)	Interest of controlled corporation	14,340,442 ²	9.97
Yugang International Limited (“Yugang”)	Interest of controlled corporation	14,340,442 ²	9.97
Chongqing Industrial Limited (“CIL”)	Interest of controlled corporation	14,340,442 ²	9.97
Palin Holdings Limited (“Palin”)	Interest of controlled corporation	14,340,442 ²	9.97

Notes:

- 58,385,656 of such shares were held through Thrivetrade, a company wholly-owned by Mr. Cheung. Accordingly, Mr. Cheung was deemed to be interested in the same number of shares held through Thrivetrade.
- 14,340,442 of such shares were held through Regulator, a direct wholly-owned subsidiary of Yugang-BVI, which is in turn a direct wholly-owned subsidiary of Yugang.

Yugang was owned by CIL, Timmex Investment Limited (“Timmex”) and Mr. Cheung as to approximately 44.06% in aggregate. CIL was owned as to 35%, 30%, 5% and 30% by Mr. Cheung, Peking Palace Limited (“Peking Palace”), Miraculous Services Limited (“Miraculous Services”) and Prize Winner Limited (“Prize Winner”) respectively. Mr. Cheung had 100% beneficial interest in Timmex. Prize Winner was beneficially owned by Mr. Cheung and his associates. Peking Palace and Miraculous Services were held by Palin as the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family.

Each of Mr. Cheung, Palin, CIL, Yugang and Yugang-BVI was therefore deemed to be interested in the same number of shares held through Regulator.

- Approximate percentage refers to the number of shares which a shareholder held expressed as a percentage (rounded up to two decimal places) of the issued share capital of the Company as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2013, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company 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 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 six months ended 30 June 2013.

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 during the six months ended 30 June 2013.

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting principles and policies adopted by the Group, and has reviewed the Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013.

APPRECIATION

On behalf of the Board, I would like to express our utmost gratitude to our customers, bankers, suppliers, strategic partners and most valued shareholders for their continued support. We also wish to thank the Group’s management and staff for their professionalism, loyalty and contribution to the Group.

By order of the Board
Lam How Mun Peter
Chairman

Hong Kong, 26 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	4	214,199	168,007
Cost of sales		(180,139)	(135,879)
Gross profit		34,060	32,128
Other income and gains	4	2,023	1,740
Selling and distribution expenses		(7,087)	(6,979)
Administrative expenses		(17,111)	(12,762)
Other expenses		(900)	(757)
Share of profits and losses of associates		(775)	(492)
PROFIT BEFORE TAX	5	10,210	12,878
Income tax expense	6	(1,561)	(1,189)
PROFIT FOR THE PERIOD		8,649	11,689
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of a foreign operation		41	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,690	11,689
Profit attributable to:			
Owners of the parent		6,144	11,457
Non-controlling interests		2,505	232
		8,649	11,689
Total comprehensive income attributable to:			
Owners of the parent		6,185	11,457
Non-controlling interests		2,505	232
		8,690	11,689
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	HK4.27 cents	HK8.85 cents

Details of dividend for the period are disclosed in note 7 to these unaudited interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	119,762	121,247
Prepaid land lease payments		13,140	13,341
Investments in associates		336	1,111
Total non-current assets		133,238	135,699
CURRENT ASSETS			
Prepaid land lease payments		402	402
Inventories		42,825	36,141
Trade and bills receivables	10	50,519	51,611
Prepayments, deposits and other receivables		6,124	4,889
Tax recoverable		–	875
Pledged deposits		7,528	7,516
Cash and cash equivalents		85,659	74,004
Total current assets		193,057	175,438
CURRENT LIABILITIES			
Trade and bills payables	11	46,388	31,651
Other payables and accruals		21,645	28,640
Tax payable		639	–
Total current liabilities		68,672	60,291
NET CURRENT ASSETS		124,385	115,147
TOTAL ASSETS LESS CURRENT LIABILITIES		257,623	250,846
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,585	1,538
Net assets		256,038	249,308
EQUITY			
Equity attributable to owners of the parent			
Issued capital	12	14,377	14,377
Reserves		239,515	233,330
Non-controlling interests		253,892	247,707
		2,146	1,601
Total equity		256,038	249,308

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent										
	Issued capital	Share premium account	Special reserve	Capital reserve	Contributed surplus	Merger reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2012	-	-	(158)	2,291	-	78	-	161,826	164,037	2,457	166,494
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	11,457	11,457	232	11,689
Contribution from a shareholder	-	-	-	43,000	-	-	-	-	43,000	-	43,000
Disposal of carved-out subsidiaries	-	-	158	-	-	-	-	-	158	-	158
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	(1,470)	(1,470)
Issue of new shares	12,720	-	-	-	(12,642)	(78)	-	-	-	-	-
At 30 June 2012	12,720	-	-	45,291	(12,642)	-	-	173,283	218,652	1,219	219,871
At 1 January 2013	14,377	18,733	-	45,291	(12,861)	-	-	182,167	247,707	1,601	249,308
Profit for the period	-	-	-	-	-	-	-	6,144	6,144	2,505	8,649
Other comprehensive income for the period:											
Exchange differences on translation of a foreign operation	-	-	-	-	-	-	41	-	41	-	41
Total comprehensive income for the period	-	-	-	-	-	-	41	6,144	6,185	2,505	8,690
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	(1,960)	(1,960)
At 30 June 2013	14,377	18,733*	-*	45,291*	(12,861)*	-*	41*	188,311*	253,892	2,146	256,038

* These reserve accounts comprise the consolidated reserves of HK\$239,515,000 (31 December 2012: HK\$233,330,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	14,581	21,449
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,007)	(7,626)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(1,960)	(10,721)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,614	3,102
Cash and cash equivalents at beginning of period	74,004	59,798
Effect of foreign exchange rate changes	41	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	85,659	62,900

1. CORPORATE INFORMATION

Qualipak International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of the principal place of business of the Company is 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

The principal activities of the Company are investment holding and provision of corporate management services. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the design, development, manufacture and sale of packaging products and point-of-sales display units.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2.2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

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2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

The adoption of these new and revised amendments has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a potential impact on its results of operations and financial position.

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 location of these customers is analysed as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe	57,582	64,196
Hong Kong	103,561	54,417
North and South America	37,329	35,938
Others	15,727	13,456
	214,199	168,007

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Hong Kong	68,159	70,089
Mainland China	65,079	65,610
	133,238	135,699

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

Information about a major customer

Revenue of approximately HK\$78,609,000 (six months ended 30 June 2012: HK\$25,529,000) 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 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:

	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Bank interest income	69	20
Sale of scrap materials	233	275
Gain on disposal of items of property, plant and equipment	15	25
Gross rental income	480	214
Foreign exchange gains, net	–	73
Fair value gain on a derivative financial instrument	875	–
Forfeiture of deposits from customers	–	865
Others	351	268
	2,023	1,740

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5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	2,495	2,552
Amortisation of prepaid land lease payments	201	201
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	47,459	41,526
Pension scheme contributions	5,859	5,495
	53,318	47,021
Foreign exchange differences, net	900*	(73)
Impairment/(write-back of impairment) of trade receivables	(17)	623*
Write-back of inventories to net realisable value	–	(6)
Fair value loss/(gain) on a derivative financial instrument	(875)	134*

* These items are included in "Other expenses" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The Group's subsidiaries, which are established in the People's Republic of China, had no assessable profit since the date of establishment.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current charge for the period		
Hong Kong	1,514	1,195
Deferred	47	(6)
Total tax charge for the period	1,561	1,189

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

The calculation of the basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity holders of HK\$6,144,000, and the weighted average number of ordinary shares of 143,765,993 in issue during the period.

The calculation of the basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to ordinary equity holders of HK\$11,457,000, and on the assumption that 129,389,994 shares have been in issue throughout the period, comprising an aggregate of 127,196,162 issued ordinary shares of the Company and capitalisation issue of 2,193,832 ordinary shares of the Company on 11 July 2012.

The Group had no potentially dilutive ordinary share in issue during the six months ended 30 June 2013 and 2012.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group incurred HK\$1,024,000 (six months ended 30 June 2012: HK\$145,000) on the acquisition of items of property, plant and equipment.

10. TRADE AND BILLS RECEIVABLES

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Trade and bills receivables	51,201	52,666
Impairment	(682)	(1,055)
	50,519	51,611

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.

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10. TRADE AND BILLS RECEIVABLES *(Continued)*

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:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Neither past due nor impaired	36,244	32,574
Past due but not impaired:		
Less than 1 month	8,763	13,519
1 to 2 months	2,635	3,475
2 to 3 months	699	419
Over 3 months	2,178	1,624
	50,519	51,611

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.

11. 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:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 1 month	31,279	26,202
1 to 2 months	11,509	5,089
2 to 3 months	3,477	98
Over 3 months	123	262
	46,388	31,651

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

12. SHARE CAPITAL

Shares

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised:		
1,000,000,000 (31 December 2012: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
143,765,993 (31 December 2012: 143,765,993) ordinary shares of HK\$0.10 each	14,377	14,377

13. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

"Related Group" means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly controlled entity of any of the foregoing entities referred to in (iv) above.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

13. SHARE OPTION SCHEME *(Continued)*

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of grant of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the share options; (ii) the average closing price of the Company's shares as stated in daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of an issued ordinary share of the Company on the date of grant of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option has been granted since the adoption of the Scheme.

14. PLEDGE OF ASSETS

At 30 June 2013, the Group pledged certain of its land and buildings with an aggregate carrying amount of HK\$35,682,000 (31 December 2012: HK\$36,125,000) as securities for general banking facilities granted to the Group.

At 30 June 2013, the Group pledged deposits with an aggregate carrying amount of HK\$7,528,000 (31 December 2012: HK\$7,516,000) as a security for general banking facilities granted to the Group's associates.

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangement, with a lease negotiated for a term of three years. The term of the lease generally also requires the tenant to pay security deposits and provides for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2013, the Group had total future minimum lease receivable under a non-cancellable operating lease with its tenant falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	960	960
In the second to fifth years, inclusive	988	1,468
	1,948	2,428

15. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its manufacturing plants and car parks under operating lease arrangements. The leases for the manufacturing plants and car parks are negotiated for a term of one year.

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	352	165

16. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into transactions with related parties as follows:

	Notes	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Rental income earned from the then immediate holding company	(i)	–	214
Rental income earned from an entity which is under common control of a controlling shareholder of the Company	(i)	480	–
Management fee paid to the then immediate holding company	(ii)	–	1,206

Notes:

- (i) The rental income received from C C Land Holdings Limited ("CC Land"), the then immediate holding company of the Company, and an entity which is under common control of a controlling shareholder of the Company was mutually agreed between the Company and the related parties.
- (ii) The management fee paid to CC Land for the share of certain costs including director's remuneration, staff welfare and miscellaneous costs, was mutually agreed between the Company and CC Land.

(b) Commitment with a related party

On 20 June 2012, a subsidiary of the Group entered into a three-year agreement ending 11 July 2015 with C C Land Management Limited, a company of which is under common control of a controlling shareholder of the Company, to lease office premises in Hong Kong. The amount of rental income is included in note 16(a)(i) to these unaudited interim condensed consolidated financial statements. The amount of an operating lease commitment as a lessor is included in note 15(a) to these unaudited interim condensed consolidated financial statements.

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16. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	1,665	1,018

Upon the listing of the shares of the Company on the Stock Exchange, the transaction with CC Land, the then immediate holding company of the Company, included in note 16(a)(ii) to these unaudited interim condensed consolidated financial statements has been discontinued.

17. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements was approved and authorised for issue by the board of directors on 26 August 2013.