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 2013

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 2013 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2013** **HK$'000**	2012 HK$'000
REVENUE	3, 4	**436,402**	389,304
Cost of sales		**(366,930)**	(318,099)
Gross profit		**69,472**	71,205
Other income and gains	4	**4,235**	2,975
Selling and distribution expenses		**(16,049)**	(14,688)
Administrative expenses		**(37,080)**	(32,841)
Other expenses		**(890)**	(966)
Share of profits and losses of associates		**24**	486
PROFIT BEFORE TAX	5	**19,712**	26,171
Income tax expense	6	**(2,780)**	(3,256)
PROFIT FOR THE YEAR		**16,932**	22,915

	Note	**2013** **HK$'000**	2012 HK$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**59**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,991**	22,915
Profit attributable to:			
Owners of the parent		**13,435**	20,341
Non-controlling interests		**3,497**	2,574
		16,932	22,915
Total comprehensive income attributable to:			
Owners of the parent		**13,494**	20,341
Non-controlling interests		**3,497**	2,574
		16,991	22,915
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**9.35 cents**	14.93 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2013**	2012
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**119,461**	121,247
Prepaid land lease payments		**12,940**	13,341
Investments in associates		**1,135**	1,111
Total non-current assets		**133,536**	135,699
CURRENT ASSETS			
Prepaid land lease payments		**402**	402
Inventories		**41,586**	36,141
Trade and bills receivables	9	**53,295**	51,611
Prepayments, deposits and other receivables		**4,110**	4,889
Tax recoverable		**186**	875
Pledged deposits		**7,542**	7,516
Cash and cash equivalents		**80,502**	74,004
Total current assets		**187,623**	175,438
CURRENT LIABILITIES			
Trade and bills payables	10	**31,931**	31,651
Other payables and accruals		**25,168**	28,640
Tax payable		**404**	-
Total current liabilities		**57,503**	60,291
NET CURRENT ASSETS		**130,120**	115,147
TOTAL ASSETS LESS CURRENT LIABILITIES		**263,656**	250,846
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,522**	1,538
Net assets		**262,134**	249,308
EQUITY			
Equity attributable to owners of the parent			
Issued capital	11	**14,377**	14,377
Reserves		**246,824**	233,330
		261,201	247,707
Non-controlling interests		**933**	1,601
Total equity		**262,134**	249,308

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 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 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 (the "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 derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollar ("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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements. However, the application of HKFRS 12 and amendments to HKAS 1 resulted in additional disclosures in the consolidated financial statements.

HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

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:

	2013	2012
	HK$'000	HK$'000
Hong Kong and Mainland China	**191,304**	141,474
Europe	**122,753**	136,015
North and South America	**83,432**	81,933
Others	**38,913**	29,882
	436,402	389,304

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

	2013 **HK$'000**	2012 HK$'000
Hong Kong	**68,554**	70,089
Mainland China	**64,982**	65,610
	133,536	135,699

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

Information about a major customer

Revenue of approximately HK$131,748,000 (2012: HK$66,250,000) 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:

	2013 **HK$'000**	2012 HK$'000
Bank interest income	**101**	89
Sale of scrap materials	**733**	532
Gain on disposal of items of property, plant and equipment	**42**	62
Gross rental income	**960**	678
Fair value gain on derivative financial instruments	**2,013**	393
Forfeiture of deposits from customers	**3**	865
Others	**383**	356
	4,235	2,975

5. PROFIT BEFORE TAX

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

	2013 HK$'000	2012 HK$'000
Cost of inventories sold	**366,041**	318,038
Depreciation	**5,118**	4,983
Amortisation of prepaid land lease payments	**401**	401
Minimum lease payments under operating leases in respect of land and buildings	**263**	212
Auditors' remuneration	**1,350**	1,585
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**97,294**	92,870
Pension scheme contributions	**11,681**	9,485
	108,975	102,355
Gross rental income	**(960)**	(678)
Direct operating expenses (including repairs and maintenance) arising on rental-earning properties	**285**	51
Net rental income	**(675)**	(627)
Foreign exchange differences, net*	**1,248**	659
Impairment/(write-back of impairment) of trade receivables*	**(358)**	307
Write-down of inventories to net realisable value	**889**	61

* These items are included in "Other expenses" on the face of the 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% (2012: 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 (the "PRC"), had no assessable profit during the year.

	2013 HK$'000	2012 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**2,769**	2,789
Underprovision/(overprovision) in prior years	**27**	(54)
Deferred	**(16)**	521
Total tax charge for the year	**2,780**	3,256

7. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2012: Nil).

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

The calculation of basic earnings per share amount for the year ended 31 December 2013 is based on the profit for the year attributable to ordinary equity holders of the parent of HK$13,435,000 (2012: HK$20,341,000), and the weighted average number of ordinary shares of 143,765,993 (2012: 136,203,824) in issue during the year.

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

9. TRADE AND BILLS RECEIVABLES

	2013	2012
	HK$'000	HK$'000
Trade and bills receivables	**53,634**	52,666
Impairment	**(339)**	(1,055)
	53,295	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.

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

	2013	2012
	HK$'000	HK$'000
Within 1 month	**27,380**	27,554
1 to 2 months	**17,870**	14,465
2 to 3 months	**6,026**	6,819
Over 3 months	**2,019**	2,773
	53,295	51,611

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**36,828**	32,574
Less than 1 month past due	**12,610**	13,519
1 to 3 months past due	**3,761**	5,518
	53,199	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.

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:

	2013	2012
	HK$'000	HK$'000
Within 1 month	**25,170**	26,202
1 to 2 months	**6,203**	5,089
2 to 3 months	**524**	98
Over 3 months	**34**	262
	31,931	31,651

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

11. SHARE CAPITAL

Shares

	2013	2012
	HK$'000	HK$'000
Authorised:		
1,000,000,000 (2012: 1,000,000,000) ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
143,765,993 (2012: 143,765,993) ordinary shares of HK$0.10 each	**14,377**	14,377

There was no movement in the Company's share capital during the year. The movements in the Company's authorised and issued share capital during the year ended 31 December 2012 were as follows:

	Note	Number of ordinary shares of HK$0.10 each	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 January 2012		500,000	50
Increase in authorised share capital on 15 May 2012	(i)	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 1 January 2012		1	-	-	-	-
Issue of new shares pursuant to share swap on 15 May 2012	(ii)	127,196,161	12,720	-	(12,642)	78
Capitalisation issues on 11 July 2012	(iii)	2,193,832	219	-	(219)	-
Issue of new shares on 11 July 2012	(iv)	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) 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.

(ii) On 15 May 2012, the Company entered into a sale and purchase agreement with C C Land Holdings Limited ("CC Land"), the then immediate holding company of the Company, 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.

(iii) 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.

(iv) 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 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 27 May 2014 to Wednesday, 28 May 2014, both days inclusive, for determining the eligibility of shareholders for attending and voting at the forthcoming annual general meeting of the Company to be held on 28 May 2014 (the "AGM"). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged with Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration by 4:30 p.m. on Monday, 26 May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the world economy has shown some signs of recovery. The US economy remained on track towards a sustainable recovery while the Euro area appears to be coming out of a prolonged recession. However the growth trend remained fragile and, with the exception of the US, there were only marginal increases in overall consumer spending in other developed economies. Under this somewhat still stagnated business climate, the global demand for luxury goods was generally weak. The Group's customers had shown great caution in placing orders, being more sensitive to pricing and less tolerant to price increases.

In the meantime, the operating environment had been particularly challenging for manufacturers in China. Rising statutory minimum wages in Southern China and component costs had imposed heavy burden on the Group, while it was difficult to pass on all the cost increments to its customers.

To tackle the challenges ahead, the Group kept abreast of the market situation by staying vigilant and reacting promptly to the changing trends and environment. Through effective sales and marketing strategies in expanding its product ranges to attract new customers in Hong Kong and nearby Asia Pacific regions, and cautiously managing its product portfolios to capture the middle class market in these regions, the Group managed to record a growth in the overall revenue for the year ended 31 December 2013.

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of packaging products and point-of-sales display units. Its product portfolio includes watches boxes, jewellery boxes, eyewear cases, bags and pouches, and display units. These are mainly manufactured in its production plant in Guanlan, the PRC and its processing factory located in Zhongshan, the PRC. The Group sells its products principally to owners or carriers of internationally renowned brands for watches, jewellery, and eyewear products and other customers such as traders of packaging products, who 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.

In accordance with the Group's plan to penetrate the PRC market, the processing factory in Guanlan (the "Guanlan Processing Factory") was transformed from a processing arrangement to the legal status of a wholly foreign owned enterprise in early 2013. The transformation enabled 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 long term business strategy to explore and broaden the customer base in the Mainland China domestic market, particularly to serve 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, a one-off settlement payment amounting in aggregate to approximately HK$3.9 million had to be made to these employees during the period.

Despite the global economy being clouded with challenges and uncertainties, the sales revenue for 2013 reported a growth of 12.1% to HK$436.4 million (2012: HK$389.3 million). However, in view of the continuous increase in manufacturing costs and the recognition of the above one-off settlement payment, the Group's net profit and net profit margin decreased to HK$16.9 million (2012: HK$22.9 million) and 3.9% (2012: 5.9%) respectively. Excluding the above one-off settlement payment, the Group's net profit and net profit margin generated from the ordinary activities would be HK$20.8 million and 4.8%, respectively.

FINANCIAL REVIEW

Revenue

The Group primarily engages in the 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 other traders of packaging and display products. The revenue of the Group increased by 12.1% to HK$436.4 million (2012: HK$389.3 million). This was primarily attributable to an increase of HK$31.3 million and HK$14.5 million in its revenue generated by sales of packaging cases and display units respectively as a result of the improvement in market demand in Hong Kong and the United States.

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			
	2013		2012	
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue
	HK$'000	**%**	HK$'000	%
Packaging cases	**283,132**	**64.9**	251,860	64.7
Bags and pouches	**20,712**	**4.7**	20,213	5.2
Display units	**110,037**	**25.2**	95,579	24.5
Others	**22,521**	**5.2**	21,652	5.6
	436,402	**100.0**	389,304	100.0

	For year ended 31 December			
	2013		2012	
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue
	HK$'000	**%**	HK$'000	%
Hong Kong and Mainland China	**191,304**	**43.9**	141,474	36.4
Europe	**122,753**	**28.1**	136,015	34.9
North and South America	**83,432**	**19.1**	81,933	21.0
Others	**38,913**	**8.9**	29,882	7.7
	436,402	**100.0**	389,304	100.0

During the year ended 31 December 2013, packaging cases sales still contributed to the Group's main revenue stream, and accounted for 64.9% of total revenue (2012: 64.7%). Another product line, display units, accounted for 25.2% of the total revenue (2012: 24.5%). The sales of packaging cases and display units had shown an increase of 12.4% and 15.1%, respectively over the last year, primarily attributable to the improvement in demand for packaging products from customers in Hong Kong and nearby Asia Pacific regions. Europe, Hong Kong and Mainland China, and North and South America are the major markets of the Group's products. With higher sales and more intense marketing strategies adopted in the local market, Hong Kong became the largest market for the year ended 31 December 2013. The revenue generated from sales in Hong Kong and Mainland China was HK$191.3 million, an increase of HK$49.8 million over the last year, as compared with the revenue generated from sales in Europe of HK$122.8 million, a decrease of HK$13.3 million over the last year.

Cost of Sales

During the fiscal year, the cost of sales of the Group increased by 15.4% to HK$366.9 million (2012: HK$318.1 million). The percentage of the cost of sales to total revenue was 84.1% (2012: 81.7%), representing an increase of 2.4% as compared to the corresponding period last year. The upsurge in the cost of sales was mainly led by the increase in average costs of production materials and procurement, the continuous rise in average labour costs 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

In 2013, the Group's gross profit was HK$69.5 million (2012: HK$71.2 million), representing a decrease of HK$1.7 million or 2.4% over the last year. During the year under review, the gross profit margin decreased by 2.4% to 15.9% (2012: 18.3%). The decrease in gross profit margin was mainly attributable to the increase in average costs of production materials and procurement, the continuous rise in average labour costs 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 normal activities would be HK$73.3 million and 16.8%, respectively.

Other Operating Expenses

The Group's selling and distribution expenses increased by 9.3% to HK$16.0 million for the year ended 31 December 2013 (2012: HK$14.7 million). The increase was mainly attributable to the increase in salaries of the sales and marketing staff.

The Group's administrative expenses increased by 12.9% to HK$37.1 million for the year ended 31 December 2013 (2012: HK$32.8 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

Owing to the declining market demand for kitchenware products, the share of profit from the 30% owned associated company, Technical International Holdings Limited, for the year ended 31 December 2013 amounted to HK$24,000 (2012: HK$0.5 million).

Net Profit

For the year ended 31 December 2013, the profit attributable to owners of the parent amounted to HK$13.4 million (2012: HK$20.3 million), representing a decrease of 34.0%. The decrease in net profit was primarily due to the increase in average costs of production materials and procurement, the increase in average labour costs 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.

Liquidity and Financial Resources

The Group has maintained a healthy liquidity and financial resources position. As at 31 December 2013, the Group had no outstanding borrowings and had net cash of HK$88.0 million (31 December 2012: HK$81.5 million), which included HK$7.5 million (31 December 2012: HK$7.5 million) of time 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 31 December 2013 (31 December 2012: Nil), the gearing ratio was zero as at 31 December 2013 (31 December 2012: Nil).

Pledged of Assets

As at 31 December 2013, the Group had pledged certain of its leasehold properties and deposits with aggregated amounts of HK$35.2 million (31 December 2012: HK$36.1 million) and HK$7.5 million (31 December 2012: HK$7.5 million) respectively, as security for general banking facilities granted to its subsidiary and associates, as appropriate.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2013.

Foreign Exchange Risk

The majority of sale and purchase transactions were conducted in US dollars and Hong Kong dollars. Therefore, the foreign exchange exposure was considered minimal. However, the Group was indirectly exposed to currency risk of RMB, which arose from the payment of the production costs to the production plant and processing factory and other cost items denominated in RMB. The Group continued to adopt prudent policies to enter into non-deliverable forward currency contracts to hedge against its foreign currency risk during the year.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no significant investment held as at 31 December 2013, nor acquisition and disposal of subsidiaries during the period.

EMPLOYEES

As at 31 December 2013, the Group had a workforce of 76 employees in Hong Kong and 1,172 employees in Mainland China. The Group remunerates its staff based on their merit, qualification, competence and prevailing market salaries level. The Group has also established an incentive bonus scheme to reward employees based on their 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 the 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 2013, the unused proceeds of HK$7.6 million were deposited into licensed banks in Hong Kong.

As at 31 December 2013, the net proceeds had been utilised as follows:

	Actual net proceeds HK$ million	Amount utilised up to 31 December 2013 HK$ million	Balance as at 31 December 2013 HK$ million
Acquisition and replacement of machinery and equipment	8.1	4.6	3.5
Explore new business opportunities and enhance market awareness of the Group's products	8.1	5.9	2.2
Enhance the Group's product design and development capability	2.0	0.1	1.9
Working capital and other general corporate purposes	2.0	2.0	-
	20.2	12.6	7.6

PROSPECTS

Looking forward the global economy, and hence the Group's operating environment, is likely to be affected by the US Government's time line to scale back the size of its asset purchase program. Under the backdrop of weak consumer spending in Europe, the slowdown of the forecast economic growth in China may further translate into additional challenges and uncertainties that would hit global demands for packaging products.

Packaging manufacturers in China are burdened with continuous rising operating costs, primarily from rising statutory minimum wages, rising material costs and appreciation of the RMB. To cope with pricing pressure triggered by end customers and to achieve continued sustainable growth in the future, the Group will enhance its product quality and maintain rigorous operating control measures so as to sharpen its competitiveness.

To maintain the Group's position as one of the market leaders, the Group will continuously adopt customer oriented marketing strategy, by developing closer and more stable relationships with its existing customers, cultivating new relationships, and keeping abreast of industry trends.

Additionally, the Group will proactively explore semi-automated production processes to improve its operational efficiency.

CORPORATE GOVERNANCE

During the year, 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 (the "Listing Rules").

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") 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 year.

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 year.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and external auditors the accounting policies and practices adopted by the Group, and has reviewed the Group's consolidated results for the year ended 31 December 2013.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT 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 2013 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, 25 March 2014

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.