# 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 2014

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 2014 together with comparative figures for the previous year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|---|
| **REVENUE** | 4 | **397,040** | 436,402 |
| Cost of sales | | **(330,786)** | (366,930) |
| Gross profit | | **66,254** | 69,472 |
| Other income and gains | 4 | **2,530** | 4,235 |
| Selling and distribution expenses | | **(15,142)** | (16,049) |
| Administrative expenses | | **(39,289)** | (37,080) |
| Other expenses | | **(62)** | (890) |
| Share of profits and losses of associates | | **(1,135)** | 24 |
| **PROFIT BEFORE TAX** | 5 | **13,156** | 19,712 |
| Income tax expense | 6 | **(1,766)** | (2,780) |
| **PROFIT FOR THE YEAR** | | **11,390** | 16,932 |

| | Note | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Available-for-sale investments: | | | |
| Changes in fair value | | **1,522** | - |
| Exchange differences on translation of foreign operations | | **(17)** | 59 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | **1,505** | 59 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **12,895** | 16,991 |
| Profit attributable to: | | | |
| Owners of the parent | | **10,349** | 13,435 |
| Non-controlling interests | | **1,041** | 3,497 |
| | | **11,390** | 16,932 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | **11,854** | 13,494 |
| Non-controlling interests | | **1,041** | 3,497 |
| | | **12,895** | 16,991 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | (Restated) |
| Basic and diluted | 8 | **HK0.36 cents** | HK0.47 cents |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **85,505** | 119,461 |
| Prepaid land lease payments | | **12,538** | 12,940 |
| Investments in associates | | **-** | 1,135 |
| Available-for-sale investments | 10 | **77,416** | - |
| Total non-current assets | | **175,459** | 133,536 |
| **CURRENT ASSETS** | | | |
| Prepaid land lease payments | | **402** | 402 |
| Inventories | | **37,759** | 41,586 |
| Trade and bills receivables | 11 | **50,361** | 53,295 |
| Prepayments, deposits and other receivables | | **7,579** | 4,110 |
| Tax recoverable | | **1,108** | 186 |
| Pledged deposits | | **3,023** | 7,542 |
| Cash and cash equivalents | | **37,034** | 80,502 |
| | | **137,266** | 187,623 |
| Assets of a disposal group classified as held for sale | 9 | **32,817** | - |
| Total current assets | | **170,083** | 187,623 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 12 | **37,867** | 31,931 |
| Other payables and accruals | | **30,228** | 25,168 |
| Tax payable | | **870** | 404 |
| | | **68,965** | 57,503 |
| Liabilities directly associated with the assets classified as held for sale | 9 | **580** | - |
| Total current liabilities | | **69,545** | 57,503 |
| **NET CURRENT ASSETS** | | **100,538** | 130,120 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **275,997** | 263,656 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **968** | 1,522 |
| Net assets | | **275,029** | 262,134 |

| | Note | **2014** | 2013 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | 13 | **14,377** | 14,377 |
| Reserves | | **258,678** | 246,824 |
| | | **273,055** | 261,201 |
| **Non-controlling interests** | | **1,974** | 933 |
| Total equity | | **275,029** | 262,134 |

Notes:

## 1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The principal place of business of the Company is located at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

As at 31 December 2014, 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.

## 2.1 BASIS OF PREPARATION

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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments which have been measured at fair value. A disposal group held for sale is stated at the lower of its carrying amount and fair value less costs to sell. 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 2014. 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 described in the accounting policy for subsidiaries below. 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 revised standards and a new interpretation for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | *Investment Entities* |
| Amendments to HKAS 32 | *Offsetting Financial Assets and Financial Liabilities* |
| Amendments to HKAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC)-Int 21 | *Levies* |
| Amendments to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle* | *Definition of Vesting Condition*[1] |
| Amendments to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle* | *Accounting for Contingent Consideration in a Business Combination*[1] |
| Amendments to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle* | *Short-term Receivables and Payables* |
| Amendments to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle* | *Meaning of Effective HKFRSs* |

[1] Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on 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:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong and Mainland China | **171,323** | 191,304 |
| Europe | **109,654** | 122,753 |
| North and South America | **74,149** | 83,432 |
| Others | **41,914** | 38,913 |
| | **397,040** | 436,402 |

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

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong | **113,331** | 68,554 |
| Mainland China | **62,128** | 64,982 |
| | **175,459** | 133,536 |

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

**Information about major customers**

Revenue derived from sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units to customers which individually accounted for more than 10% of the Group's total revenue is as follows:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A | **100,373** | 131,748 |
| Customer B | **44,712** | -* |

* Revenue from this customer did not account for more than 10% of the Group's total revenue for the year ended 31 December 2013.

## 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:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank interest income | **150** | 101 |
| Sale of scrap materials | **297** | 733 |
| Gain on disposal of items of property, plant and equipment, net | **40** | 42 |
| Gross rental income | **960** | 960 |
| Fair value gain on derivative financial instruments, net | **261** | 2,013 |
| Foreign exchange gains, net | **621** | - |
| Forfeiture of deposits from customers | **-** | 3 |
| Others | **201** | 383 |
| | **2,530** | 4,235 |

## 5. PROFIT BEFORE TAX

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

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Cost of inventories sold | **329,752** | 366,041 |
| Depreciation | **4,846** | 5,118 |
| Amortisation of prepaid land lease payments | **402** | 401 |
| Minimum lease payments under operating leases in respect of land and buildings | **288** | 263 |
| Auditors' remuneration | **1,250** | 1,350 |
| Employee benefit expenses (including directors' remuneration): | | |
| Wages and salaries | **86,610** | 97,294 |
| Pension scheme contributions | **10,366** | 11,681 |
| | **96,976** | 108,975 |
| Gross rental income | **(960)** | (960) |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning properties | **300** | 285 |
| Net rental income | **(660)** | (675) |
| Foreign exchange differences, net | **(621)** | 1,248* |
| Impairment/(write-back of impairment) of trade receivables* | **62** | (358) |
| Write-down of inventories to net realisable value | **1,034** | 889 |

* 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% (2013: 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 available tax losses brought forward from prior years to offset against the assessable profits generated during the year.

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Group: | | |
| Current – Hong Kong | | |
| Charge for the year | **1,702** | 2,769 |
| Underprovision in prior years | **44** | 27 |
| Deferred | **20** | (16) |
| Total tax charge for the year | **1,766** | 2,780 |

## 7. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2013: Nil) but propose to make a bonus issue, subject to the approval of the Company's shareholders at the forthcoming annual general meeting, of one new share credited as fully paid for every four existing shares held to the shareholders of the Company whose names appear on the register of members on 26 May 2015.

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

The calculation of the basic earnings per share amount for the year ended 31 December 2014 is based on the profit for the year attributable to ordinary equity holders of the parent of HK$10,349,000 (2013: HK$13,435,000), and the weighted average number of ordinary shares of 2,875,319,860 (2013: 2,875,319,860 (restated)) in issue during the year.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years has been adjusted retrospectively to reflect the impact of Share Subdivision and Bonus Issue (as defined in note 14 to this results announcement) effected on 2 January 2015 and 15 January 2015, respectively, which were approved by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014.

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

## 9. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

On 28 November 2014, the Group entered into a conditional agreement with an independent third party to dispose of the Group's entire equity interest in King Place Investments Limited ("King Place"), which is principally engaged in the holding of a property located in Hong Kong, together with the assignment of benefits and interest in the loan advanced by Qualipak Development Limited, the immediate holding company of King Place, at a consideration of HK$92,000,000 (the "Consideration"). The Group has decided to dispose of the subsidiary as a result of the favourable property market environment in recent years and unattractive yield compared to the Consideration. As such, the assets and liabilities of King Place were classified as a disposal group held for sale. The transaction is expected to complete in 2015.

The assets and liabilities of King Place (excluding inter-company loan which is eliminated in consolidation) as at 31 December 2014 are as follows:

| | **HK$'000** |
|---|---|
| *Assets* | |
| Property | **29,544** |
| Prepayment, deposits and other receivables | **3,236** |
| Tax recoverable | **37** |
| Assets classified as held for sale | **32,817** |
| | |
| *Liabilities* | |
| Other payables and accruals | **6** |
| Deferred tax liabilities | **574** |
| Liabilities directly associated with the assets classified as held for sale | **580** |
| | |
| Net assets directly associated with the disposal group | **32,237** |

## 10. AVAILABLE-FOR-SALE INVESTMENTS

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Listed equity investments, at fair value: | | |
| Hong Kong | **77,416** | - |

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$1,522,000 (2013: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

## 11. TRADE AND BILLS RECEIVABLES

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade and bills receivables | **50,701** | 53,634 |
| Impairment | **(340)** | (339) |
| | **50,361** | 53,295 |

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:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 month | **25,566** | 27,380 |
| 1 to 2 months | **13,673** | 17,870 |
| 2 to 3 months | **6,919** | 6,026 |
| Over 3 months | **4,203** | 2,019 |
| | **50,361** | 53,295 |

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

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **34,469** | 36,828 |
| Less than 1 month past due | **9,858** | 12,610 |
| Over 1 month past due | **6,034** | 3,761 |
| | **50,361** | 53,199 |

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.

## 12. 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:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 month | **29,160** | 25,170 |
| 1 to 2 months | **6,688** | 6,203 |
| 2 to 3 months | **1,843** | 524 |
| Over 3 months | **176** | 34 |
| | **37,867** | 31,931 |

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

## 13. SHARE CAPITAL

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Authorised: | | |
| 1,000,000,000 ordinary shares of HK$0.10 each | **100,000** | 100,000 |
| Issued and fully paid: | | |
| 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. For subsequent changes in share capital after 31 December 2014, please refer to note 14(a) below.

## 14. EVENTS AFTER REPORTING PERIOD

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, every one issued and unissued existing ordinary share of HK$0.10 in the share capital of the Company was subdivided into ten subdivided shares of HK$0.01 each (the "Share Subdivision"). The Share Subdivision has been completed on 2 January 2015.

Pursuant to another ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, the shareholders of the Company also approved a bonus issue (the "Bonus Issue") of new subdivided shares on the basis of one bonus share for every one subdivided share held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the Bonus Issue. The Bonus Issue has been completed on 15 January 2015.

As a result of the Share Subdivision and Bonus Issue, the issued share capital of the Company was therefore increased from 143,765,993 shares of HK$0.10 each to 2,875,319,860 shares of HK$0.01 each accordingly.

Details of the Share Subdivision and Bonus Issue were set out in the Company's circular dated 12 December 2014.

(b) On 16 February 2015, the Group entered into a conditional agreement with an independent third party to dispose of its entire equity interest in Empire New Assets Limited ("Empire New Assets") at a consideration of HK$90,000,000 and the transaction is expected to complete in 2015.

Details of the disposal of Empire New Assets are set out in the Company's announcement dated 16 February 2015.

(c) On 18 February 2015, the Group entered into a memorandum of understanding (the "MOU") with Mistler Investments Limited ("Mistler"), a company beneficially owned by Ms. Long Wei Betty, an independent third party, for a possible acquisition of the entire issued capital in Sebbington Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mistler, which owns a 97% interest in Shanghai PN Stone Company Limited (上海博恩世通光電股份有限公司), a company established in the PRC and principally engaged in research, development, production and distribution of light-emitting diode ("LED") epitaxial wafers and display chips, backlight chips (外延片和顯示用芯片、背光源芯片), high power LED chips (高亮度大功率照明芯片) and solid-state lighting products (半導體照明產品) in the PRC.

The possible acquisition is still in discussion and the MOU does not create legally binding obligations as at the date of approval of these financial statements. Details of the possible acquisition are set out in the Company's announcement dated as 18 February 2015.

## DIVIDEND AND BONUS ISSUE OF SHARES

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 but propose to make a bonus issue of one new share credited as fully paid for every four existing shares held to the shareholders of the Company whose names appear on the registers of members on 26 May 2015. The necessary resolution will be proposed at the forthcoming annual general meeting to be held on 18 May 2015 (the "AGM"), and if passed and obtained the approval from the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for granting of listing and permission to deal in the bonus shares, share certificates of the bonus issue will be posted on or about 3 June 2015.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 May 2015 to Monday, 18 May 2015, both days inclusive, for determining the eligibility of shareholders for attending and voting at 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Thursday, 14 May 2015.

The register of members of the Company will also be closed from Friday, 22 May 2015 to Tuesday, 26 May 2015, both days inclusive, for determining the eligibility of shareholders for the proposed issue of bonus shares. In order to qualify for the proposed issue of bonus shares, all transfer documents accompanied by the relevant share certificates should be lodged with Tricor Secretaries Limited of the above address for registration by 4:30 p.m. on Thursday, 21 May 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

## FINANICAL REVIEW

The Group reported a consolidated revenue of HK$397.0 million for the year ended 31 December 2014, representing a decrease of 9.0% from 2013 (2013: HK$436.4 million). The decrease in revenue was seen in all major markets in similar degrees. Hong Kong and Mainland China continued to be the largest market and accounted for 43.2% of total revenue (2013: 43.9%). Sales to Europe and North and South America contributed to 27.6% (2013: 28.1%) and 18.7% (2013: 19.1%) respectively. The decline was more a reflection of weak customer market caused by slowdown of economic growth in all regions of the world apart from the USA.

The Group's gross profit for the year was HK$66.3 million or 16.7% as compared to HK$69.5 million or 15.9% respectively for the previous year. If the one-off settlement payment to employees arising from the cessation of their employment due to the transformation of the Guanlan processing factory in 2013 were excluded, the gross profit margin would have been 16.8% in 2013. Under this scenario, the gross profit margin declined only by 0.1% in 2014 due to inevitable increase in production and operating costs but mainly on account of effective cost control.

The profit attributable to owners of the Company for the year ended 31 December 2014 amounted to HK$10.3 million (2013: HK$13.4 million), representing a decrease of 23.0%. The decrease was primarily due to the contraction of sales revenue coupled with the increase in production and operating costs.

**LIQUIDITY AND FINANCIAL RESOURCES**

The Group has maintained a healthy financial position. During the year, opportunities arose for the Group to acquire various securities listed on the Stock Exchange, utilising the Group's surplus fund at the cost of approximately HK$75.9 million. As at 31 December 2014, the Group had no outstanding bank borrowing (2013: Nil) and had cash in hand of HK$40.1 million (2013: HK$88.0 million), which included HK$3.0 million (2013: HK$7.5 million) of time deposit pledged to a bank.

As such, the gearing ratio (bank borrowings to shareholders' equity) as at 31 December 2014 was zero (2013: Zero).

**PLEDGE OF ASSETS**

As at 31 December 2014, the Group has pledged certain of its leasehold properties and bank deposit with an aggregated amount of HK$34.4 million (2013: HK$35.2 million) and HK$3.0 million (2013: HK$7.5 million) respectively, as security for general banking facilities granted to its subsidiary and associates.

**CONTINGENT LIABILITIES**

As at 31 December 2014, the Group had contingent liabilities in respect of guarantee amounting to HK$4.5 million (2013: Nil) given to a financial institution for general banking facilities granted to its associates.

**FOREIGN EXCHANGE RISK**

Sales and purchases transactions of the Group were primarily denominated in US dollars and Hong Kong dollars. The exposure to foreign exchange risk is thus minimal. However, the Group was indirectly exposed to currency risk of RMB, arising from the payment of manufacturing expenses incurred in Mainland China. The Group had entered into non-deliverable forward currency contracts to manage its foreign currency risk during the year.

**MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

The Group entered into a conditional agreement on 28 November 2014 with an independent third party to dispose of the entire issued share capital of its subsidiary, King Place, which has as its only asset a property with a carrying amount of HK$29.5 million at 31 December 2014, together with the assignment of a shareholder's loan for a consideration of HK$92.0 million. The sale transaction is expected to complete in 2015.

**EMPLOYEES**

As at 31 December 2014, the Group had a total workforce of approximately 1,137 employees in Hong Kong and Mainland China. The Group remunerates the employees based on their merit, qualification, and competence. 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 provident fund contributions, medical and life insurances.

## PROSPECTS

Looking ahead, the general economic conditions and the operating environment in the manufacturing business will continue to remain challenging. The global economic growth is still weak and uneven, and remains susceptible to downside risk. Consumer markets are expected to be volatile and fragile combined with rising labour costs in Mainland China due to worker shortages and government regulations. The Group has conducted a review on the financial position and business operations for the purpose of formulating long-term business plans and strategies in the following directions to mitigate the unfavourable circumstances by diversifying risk and broadening the sources of income:

1. The Group aims to rationalize the assets by increasing their productivity and returns. The Group considers the optimization of assets portfolio to dispose and/or arrange sale-leaseback alternatives for reflecting its fair value of assets and releasing financial resources trapped in illiquid assets that can be deployed in stronger earning potential opportunities. In order to maintain the competitiveness of the sale and manufacture of packaging products, the Group will continue to strive hard to exploring new markets, reduce costs and add new product categories to attract new orders.

2. In view of enormous opportunities for environmental protection industries, the Group intends to capture the strong potential and develop in related business of environmental protection and energy saving. The Group will focus on LED lighting business and believes that additional business opportunities will be generated from considerable pressure of marketplace for the adoption and practices of green business.

3. The Group has been actively looking for opportunities for expansion and diversification. In order to utilise its surplus fund and to seek better return of the assets employed, the Group has decided to diversify its single operating segment, the manufacture and sale of packaging products, to treasury investment activities. The engagement of these activities will include the involvement of security investment and money lending business for the anticipation of steady return of income flow as well as capital gains.

## 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”).

## 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 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.

## REVIEW OF ANNUAL RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group’s consolidated results for the year ended 31 December 2014.

**PUBLICATION OF 2014 ANNUAL 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 2014 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
**Qualipak International Holdings Limited**
**Lam How Mun Peter**
*Chairman*

Hong Kong, 23 March 2015

As at the date of this announcement, the Board comprised the following Directors:-

*Executive Directors*
Ms. Poon Ho Yee Agnes *(Managing Director)*
Ms. Sun Dixie Hui

*Non-executive Director*
Dr. Lam How Mun Peter *(Chairman)*

*Independent Non-executive Directors*
Mr. Chan Sze Hung
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen