



QUALIPAK

INTERNATIONAL HOLDINGS LIMITED

Stock Code: 1332

(Incorporated in Bermuda with Limited Liability)

ANNUAL REPORT

2012



	<i>Page(s)</i>
Corporate Information	2
Financial Highlights	3
Profiles of the Directors	4
Chairman's Statement	6
Management Discussion and Analysis	7
Corporate Governance Report	12
Directors' Report	19
Independent Auditors' Report	26
Consolidated Statement of Comprehensive Income	27
Consolidated Statement of Financial Position	28
Consolidated Statement of Changes in Equity	29
Consolidated Statement of Cash Flows	30
Statement of Financial Position	31
Notes to Financial Statements	32
Summary Financial Information	72

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

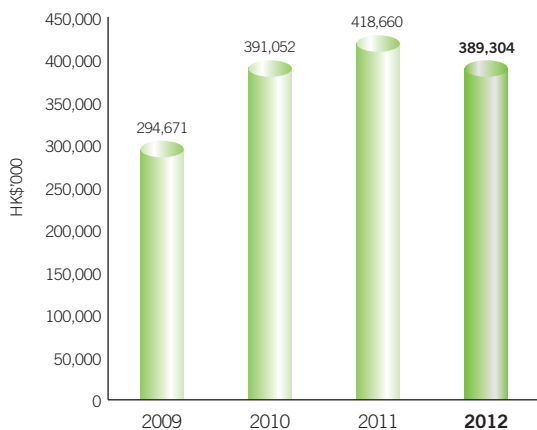
Principal share registrar and transfer office
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office

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

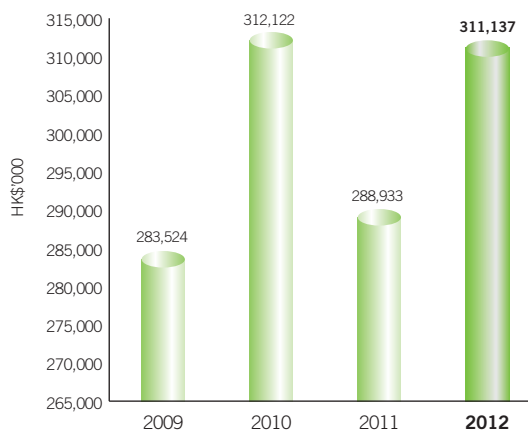
REVENUE

Year ended 31 December



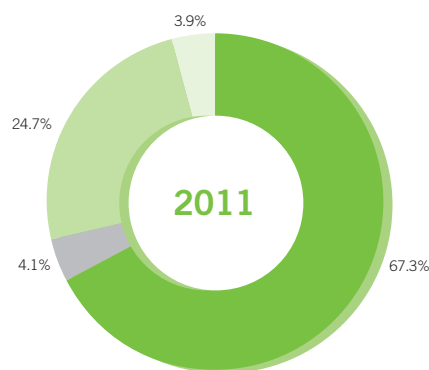
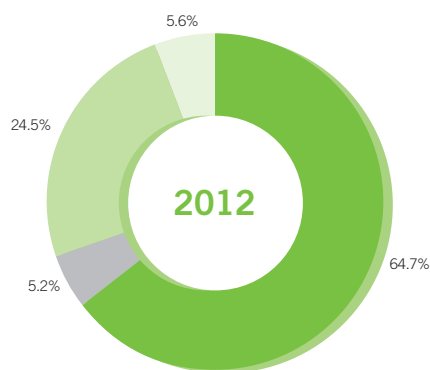
TOTAL ASSETS

As at 31 December



REVENUE BY PRODUCT CATEGORIES

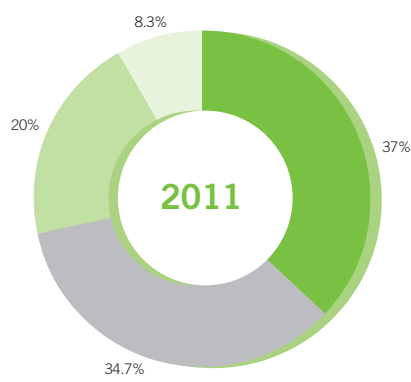
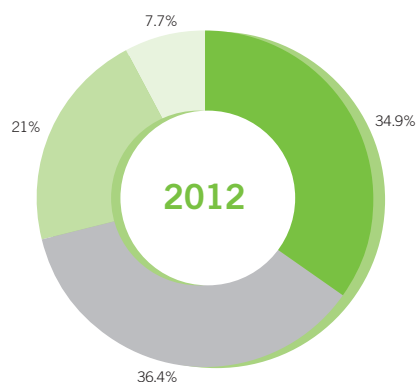
Year ended 31 December



■ Packaging cases ■ Bags and pouches ■ Display units ■ Others

REVENUE BY GEOGRAPHICAL LOCATIONS OF CUSTOMERS

Year ended 31 December



■ Europe ■ Hong Kong ■ North and South America ■ Others

PROFILES OF THE DIRECTORS

EXECUTIVE DIRECTORS

Ms. POON Ho Yee Agnes, aged 45, was appointed Director of the Company on 28 November 2011 and was re-designated as Executive Director and appointed Managing Director both on 18 May 2012. She is also a member of the Executive Committee and the Nomination Committee. She also serves as a Director of several subsidiaries of the Company. She has joined the Group since 1990 and is mainly responsible for the day-to-day management of the Group's business, recommending strategies to the board of directors, and determining and implementing operational decisions. In addition, she is also in charge of sales and marketing management and manufacturing operations of the Group. Ms. Poon graduated from The University of Hong Kong with a master's degree in electronic commerce and internet computing in 2003 and from Simon Fraser University with a bachelor's degree in business administration in 1990. She also obtained a master's degree in counseling from The University of South Australia in 2006. Ms. Poon has over 20 years of extensive experience in sales and marketing within the manufacturing industry. She was an executive director of C C Land Holdings Limited ("CC Land"), the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from June 1998 to July 2012.

Mr. LAM Hiu Lo, aged 51, was appointed Executive Director of the Company on 18 May 2012. He is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. He has joined the Group since 2000 and is responsible for formulating PRC sales and marketing strategies and monitoring market development of the Group. He has 25 years of extensive experience in sales and marketing in the PRC. Mr. Lam was an executive director of CC Land from November 2000 to July 2012. He is currently an executive director of Yugang International Limited ("Yugang") and an independent non-executive director of EVA Precision Industrial Holdings Limited. The shares of the above companies are listed on the Stock Exchange. He is also a director of Yugang International (B.V.I.) Limited ("Yugang-BVI"). Yugang-BVI and Yugang are companies disclosed under the section headed "Discloseable Interests and Short Positions of Shareholders under SFO" on page 24.

Mr. LEUNG Chun Cheong, aged 63, was appointed Director of the Company on 28 November 2011 and was re-designated as Executive Director of the Company on 18 May 2012. He is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. He has joined the Group since 1995 and is currently responsible for overseeing the financial control of the Group. Mr. Leung is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and an associate of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Leung held senior positions in various companies in Hong Kong. He has over 35 years of extensive experience in professional accounting and finance. Mr. Leung is currently an executive director of CC Land.

Mr. WU Hong Cho, aged 67, was appointed Executive Director of the Company on 18 May 2012. He is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. He has joined the Group since 2006 and is currently responsible for overseeing the legal and corporate compliance of the Group. Mr. Wu graduated from The University of Hong Kong with a bachelor's degree in laws in 1986. He became a practising solicitor in Hong Kong in 1990 and has accumulated over 10 years of experience in private practice. Prior to joining the Group, Mr. Wu held senior positions and was in charge of the financial matters in a number of companies listed on the Stock Exchange. He has more than 15 years of experience in corporate finance and management. Mr. Wu was a non-executive director of NewOcean Energy Holdings Limited, the shares of which are listed on the Stock Exchange, from July 2006 to June 2010 and an executive director of CC Land from July 2006 to May 2012.

NON-EXECUTIVE DIRECTORS

Dr. LAM How Mun Peter, aged 65, was appointed Chairman and Non-executive Director of the Company both on 19 June 2012. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee. Dr. Lam was one of the founders of the Group in 1989. He also serves as a Director of two subsidiaries of the Company. His main responsibility is to lead the board of directors in the formulation of objectives, strategies and actions. Dr. Lam graduated from The University of Hong Kong with a bachelor's degree in medicine and surgery in 1972. He is a fellow of the Royal College of Surgeons of Edinburgh and the American College of Surgeons. In addition to his extensive experience in medical practice, Dr. Lam has over 20 years of extensive experience in corporate management, the real estate and investment. Dr. Lam is a deputy chairman, managing director and an executive director of CC Land.

Mr. LEUNG Wai Fai, aged 51, was appointed Non-executive Director of the Company on 19 June 2012. He has joined the Group since 1999. Mr. Leung graduated from the University of Wisconsin-Madison with a bachelor's degree in business administration in 1985. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He has over 20 years of extensive experience in accounting and financial reporting. Mr. Leung is an executive director of CC Land and The Cross-Habour (Holdings) Limited, the shares of which are listed on the Stock Exchange and a group financial controller of Yugang.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Sze Hung, aged 60, was appointed Independent Non-executive Director of the Company on 19 June 2012. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. Chan received his bachelor's degree in laws from The University of Hong Kong in 1975. He has over 30 years' working experiences in the legal profession. Mr. Chan was an independent non-executive director of Heritage International Holdings Limited, Mascotte Holdings Limited and Radford Capital Investment Limited from December 2001 to August 2011, from June 2007 to May 2010 and from January 2002 to May 2010 respectively. He was also a non-executive director of Asia Orient Holdings Limited from June 1996 to July 2012. The shares of the above companies are listed on the Stock Exchange. He is currently a consultant of Chan, Lau & Wai, a firm of solicitors in Hong Kong.

Dr. LEUNG Wai Keung, aged 55, was appointed Independent Non-executive Director of the Company on 19 June 2012. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Dr. Leung received his master's degree in information and computer science from Georgia Institute of Technology in 1981 and also received his master's degree in industrial engineering and degree of doctor of philosophy from the University of Wisconsin-Madison in 1985 and 1987 respectively. Dr. Leung worked as an associate professor in the department of management sciences of City University of Hong Kong from 1996 to 2001 and is currently a director of its master of business administration (executive) programme and an associate professor in the marketing department. He has over 18 years' working experiences in tertiary education and provided seminars and training courses for a number of renowned local companies.

Mr. TAM Kwok Fai Paul, aged 46, was appointed Independent Non-executive Director of the Company on 19 June 2012. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. Mr. Tam received his bachelor's degree in accounting from Hong Kong Baptist University in 1992. He is an associate of The Institute of Chartered Accountants in England and Wales. He is also a fellow of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Tam has over 20 years' working experiences in the assurance, accounting, taxation and financial management and is currently an associate partner of a certified public accountants firm in Hong Kong.

CHAIRMAN'S STATEMENT

To our Shareholders,

I am pleased to present the annual results of Qualipak International Holdings Limited and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

BUSINESS REVIEW

Our performance for the year under review echoed the difficulties of the global economic environment, with weak consumer sales and discouraging global demand for packaging products. The Group also faced increasing costs driven by the rising average labour costs which narrowed its profit margins. Revenue, net profit and net profit margin decreased to HK\$389.3 million (2011: HK\$418.7 million), HK\$22.9 million (2011: HK\$41.5 million) and 5.9% (2011: 9.9%), respectively.

The Group answered the challenges during the year with diligence and insistence on the quality of the products and services provided to our customers. Through the combined efforts of the sales and manufacturing teams the Group succeeded in achieving a respectable sales volume, and in many cases, negotiated increases in contract prices. The manufacturing team also exercised a series of strong cost control and operational efficiency enhancement measures. All these contributed to the continued profitability of the Group despite the severity of the difficulties that confronted the industry generally.

On 12 July 2012, the Group completed its spin-off with its shares successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. The separate listing fortified the Group in these diverse global markets by enhancing its customer confidence, bringing about higher levels of management and supervisory control, and providing the management with new impetus and goal in its business.

PROSPECTS

Looking forward, as the debt crisis in major European countries deepens and the outlook for the economy of the United States is far from certain, Year 2013 looks almost certain to be another difficult year. The Group therefore will not relent on its diligence and tenacity. To overcome the challenges ahead, the Group will target its efforts in maintaining its market share and strong customer base. At the same time the Group will strive to diversify its product portfolio, make increased efforts in promotion, and will continue to exercise stringent cost controls in order to generate stable profit.

APPRECIATION

I would like to express my sincere appreciation to the management and staff for their undaunted enthusiasm, diligence and loyalty in these challenging times. I am grateful to our shareholders, strategic partners and bankers for their support which has contributed towards the Group's success.

Lam How Mun Peter
Chairman

Hong Kong, 26 March 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 customers include owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products. The Group has over 20 years of experience in the packaging industry and has long business relationship with its customers, some of which for over 15 years.

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

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

FINANCIAL REVIEW

Revenue

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Cost of Sales

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

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

Other Operating Expenses

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

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

Other Businesses

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

Net Profit

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

Liquidity, Financial Resources and Pledged of Assets

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

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

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

As at 31 December 2012, the Group had pledged certain of its leasehold properties and deposits with aggregated amounts of HK\$36.1 million (2011: HK\$5.4 million) and HK\$7.5 million (2011: Nil), respectively, as securities for general banking facilities granted to the Group and its associates, as appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

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

Foreign Exchange Risk

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

EMPLOYEES

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

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

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

PROSPECTS

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the “Board”) considers that sound corporate management and governance practices are essential to the Company’s healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 July 2012 (the “Listing Date”). During the period from the Listing Date to 31 December 2012 (the “Relevant Period”), the Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and there is no deviation from any provision of the Code throughout the Relevant Period.

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 Relevant Period.

BOARD OF DIRECTORS

Currently, the Board comprises 9 members with Dr. Lam How Mun Peter as Chairman. Four of the members are Executive Directors and five are Non-executive Directors, out of whom three are Independent Non-executive Directors. Names and other details of the members of the Board are set out under the heading “Profiles of the Directors” on pages 4 to 5. The Board determines and keeps under review the objectives of the Group. It makes decisions on overall strategies and actions necessary for achieving these objectives, monitors and controls financial and operating performance, formulates appropriate policies, and identifies and ensures best practices of corporate governance. The current structure and composition of the Board have provided it with an appropriate mix of skills and experience.

The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained. The Company has received confirmation from each director that he has given sufficient time and attention to the affairs of the Company during the Relevant Period. The directors have also disclosed to the Company the changes, if any, of number and nature of offices they held in public companies or organisations and other significant commitment, including the identity of the public companies or organisations and indication of the time involved.

Set out below are details of directors’ attendance of board and committee meetings in the Relevant Period:

Name of Directors	Attendance/Number of Meetings Held			
	Regular Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
<i>Executive Directors</i>				
Ms. Poon Ho Yee Agnes (<i>Managing Director</i>)	2/2	–	–	1/1
Mr. Lam Hiu Lo	2/2	–	–	–
Mr. Leung Chun Cheong	2/2	–	–	–
Mr. Wu Hong Cho	2/2	–	–	–
<i>Non-executive Directors</i>				
Dr. Lam How Mun Peter (<i>Chairman</i>)	2/2	–	1/1	1/1
Mr. Leung Wai Fai	2/2	–	–	–
<i>Independent Non-executive Directors</i>				
Mr. Chan Sze Hung	2/2	2/2	1/1	1/1
Dr. Leung Wai Keung	2/2	2/2	1/1	1/1
Mr. Tam Kwok Fai Paul	2/2	2/2	1/1	1/1

Note: The 2012 Annual General Meeting of the Company was held by way of written resolutions of the then sole member of the Company in lieu of the annual general meeting on 10 July 2012.

During the Relevant Period, the non-executive directors have met once with the Chairman without the presence of the executive directors, to consider and discuss various matters in respect of the management of the Company.

The Chairman sets the agenda for the Board and takes the lead in determining the Group's objectives, formulating strategies, and making decisions on actions at the directorate level. He ensures that members of the Board receive accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. With the assistance of the Company Secretary, the Chairman ensures that the Board properly exercises its powers, its meetings and procedures comply with all rules and requirements, and full and proper records are maintained. Procedures are also put in place for each director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company's expense.

The day-to-day management of the Group is delegated by the Board to the Managing Director who is supported by various committees of the Board and management of the Company for recommending strategies to the Board, and determining and implementing operational decisions. The Managing Director assumes full accountability for the day-to-day management of the Group. All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

On appointment to the Board, each director received a comprehensive induction package covering businesses and operation of the Company as well as his/her responsibilities under the statutes, rules and regulations.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

During the year under review, all directors received regular briefing and updates on the Group's business, operation and corporate governance matters. Materials on amendments to or updates on the laws and regulations applicable to the Group were also provided to each of them. They also attended courses, seminars or conferences relevant to the industry, regulatory updates or directors' duties to develop and refresh their knowledge and skills as listed company directors.

According to the records provided by the directors, a summary of training received by the directors during the year under review is as follows:

Name of Directors	Type of Continuous Professional Development Programmes
<i>Executive Directors</i>	
Ms. Poon Ho Yee Agnes (<i>Managing Director</i>)	A, B
Mr. Lam Hiu Lo	A, B
Mr. Leung Chun Cheong	A, B
Mr. Wu Hong Cho	A, B
<i>Non-executive Directors</i>	
Dr. Lam How Mun Peter (<i>Chairman</i>)	A, B
Mr. Leung Wai Fai	A, B
<i>Independent Non-executive Directors</i>	
Mr. Chan Sze Hung	A, B
Dr. Leung Wai Keung	A, B, C
Mr. Tam Kwok Fai Paul	A, B

Notes:

- A. Attending face-to-face courses, seminars or conferences
- B. Reading regular briefing and updates on the Group's business, operation and corporate governance matters
- C. Providing seminars and training courses for local companies in Hong Kong

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of committees of the Board, Managing Director is responsible for the day-to-day management of the Group's business, recommending strategies to the Board, and determining and implementing operational decisions.

NON-EXECUTIVE DIRECTORS

All non-executive directors (including independent non-executive directors) are appointed for a term of three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years according to the Company's Bye-laws.

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee and the Board have reviewed their independence based on such confirmation and considers all of them remaining independent.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Remuneration Committee, the Nomination Committee and the Audit Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises one Non-executive Director, Dr. Lam How Mun Peter, and three Independent Non-executive Directors, Mr. Chan Sze Hung, Dr. Leung Wai Keung and Mr. Tam Kwok Fai Paul. It is chaired by Mr. Chan Sze Hung. The major roles and functions of the Remuneration Committee are set out in the terms of reference which include duties specified in the Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

The remuneration policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages sufficient to attract, retain and motivate high quality executives to serve the Company. The fees for non-executive directors are determined with reference to their duties and level of responsibility with the Company and are reviewed on an annual basis.

During the Relevant Period, the Remuneration Committee has reviewed and discussed, among other matters, the remuneration packages (including the annual performance bonus policy) of the executive directors, the remuneration of the non-executive directors, the existing share option scheme, the retirement benefit schemes and the long-term incentive arrangement. Being given the delegated responsibility, the Remuneration Committee has also determined the remuneration packages of the executive directors of the Company.

NOMINATION COMMITTEE

The Nomination Committee currently comprises one Executive Director, Ms. Poon Ho Yee Agnes, one Non-executive Director, Dr. Lam How Mun Peter, and three Independent Non-executive Directors, Mr. Chan Sze Hung, Dr. Leung Wai Keung and Mr. Tam Kwok Fai Paul. It is chaired by Dr. Lam How Mun Peter. The major roles and functions of the Nomination Committee are set out in the terms of reference which include duties specified in the Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

The nomination policy for directors is formulated with reference to the skills, experience and diversity of the Board appropriate for the requirements of the Group's business. The Nomination Committee will review the Board's structure, size and composition (including the skills, knowledge and experience) and assess the independence of independent non-executive directors. It will also make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and make recommendations on the appointment or re-appointment of directors and succession planning for directors, including the Chairman. It is responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

During the Relevant Period, the Nomination Committee has reviewed and discussed, among other matters, the structure, size and composition (including the skills, knowledge and experience) of the Board and also assessed the independence of independent non-executive directors of the Board.

AUDIT COMMITTEE

The Audit Committee currently comprises three Independent Non-executive Directors, Mr. Chan Sze Hung, Dr. Leung Wai Keung and Mr. Tam Kwok Fai Paul. It is chaired by Mr. Tam Kwok Fai Paul. The major roles and functions of the Audit Committee are set out in the terms of reference which include duties specified in the Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

The Audit Committee has reviewed together with the management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including reviewing the Group's consolidated results for the year ended 31 December 2012. It has reviewed the financial statements before submission to the Board. When reviewing the Company's interim and annual reports, the Audit Committee has focused not only on the impact of the changes in accounting policies and practices but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements.

The Audit Committee has also reviewed with the management the system of internal control covering all material controls, including financial, operational and compliance controls and risk management functions. It has also reviewed the adequacy of resources, staff qualifications and experience, training programme and budget of the Company's accounting and financial reporting function.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The corporate governance policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

During the Relevant Period, members of the Board have discussed and reviewed, among other things, the Company's policies and practices on corporate governance at regular board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. A code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group were formulated and adopted by the Board on 19 June 2012.

INDEPENDENT AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's independent auditors, Messrs. Ernst & Young amounted to a total of HK\$2,639,000, of which HK\$1,500,000 was for audit services, HK\$739,000 for non-audit services including review, tax and consultancy services and HK\$400,000 for fees incurred in connection with the initial public offering.

In addition, the remuneration paid/payable to other independent auditors of subsidiaries of the Company amounted to a total of HK\$73,000, of which HK\$67,000 was for audit services and HK\$6,000 for non-audit services including tax services.

COMPANY SECRETARY

The Company Secretary has undertaken not less than 15 hours of relevant professional training during 2012.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Bermuda Companies Act 1981, the Listing Rules and the Bye-laws.

1. Convening special general meeting

Shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall have the right to require a special general meeting ("SGM") to be called by the Board by written requisition signed by such shareholders stating the purposes for which an SGM is requisitioned and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for the attention of the Board or the Company Secretary. The requisition may consist of several documents in like form each signed by one or more requisitionists.

If within 21 days of such deposit, the Board fails to convene such SGM, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. An SGM convened by the shareholders themselves must be convened in the same manner as nearly as possible as that of an SGM convened by directors.

2. Proposing resolution at general meeting

Shareholders, representing at the date of deposit of the requisition not less than one-twentieth of the total voting rights or not less than 100 shareholders can, at the expense of the requisitionists unless the Company otherwise resolves, request the Company in writing to (a) give to shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and,

- (a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than 6 weeks before the annual general meeting; and
- (b) in the case of any other requisition, not less than 1 week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for the attention of the Board or the Company Secretary.

3. Proposing a person for election as director

Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

4. Sending enquiries to the Board

Shareholders may contact the Company Secretary by mail to 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, or by email at qualipak@qualipakhk.com or by telephone at (852) 2529 6196 for any enquiries in respect of the Company's information.

INVESTOR RELATIONS

The Company adopted a Shareholders Communication Policy on 19 June 2012. The use and effectiveness of such policy will be monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so.

To achieve equal access to information on the Company's latest major development, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through corporate communications on the Company's website under the column of "Investor Relations". Corporate communications required to be given under the Listing Rules, any applicable laws and corporate procedures will be provided to shareholders in plain language and in both English and Chinese versions to facilitate shareholders' understanding. Shareholders should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. For enquiry about the information of the Company, shareholders may contact the Company Secretary as stated above. Shareholders are encouraged to participate in the Company's general meetings. Members of the Board will attend to answer their questions.

The Company has also posted its constitutional documents on its website and there was no significant change in them during the Relevant Period.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Company has maintained an internal audit function which is internally resourced and staffed by qualified accounting personnel with suitable experience. The internal audit function forms part of the permanent establishment of the Group.

The internal audit function monitors the adequacy and effectiveness of the internal control system established within the Company and its subsidiaries for safeguarding assets against unauthorised use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognises that the Group's internal control system plays a key role in both the management of risks and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the Group's internal control system. The Board has also conducted an annual review of the effectiveness of the Group's internal control system. Based on its review, the Audit Committee will advise the Board on the adequacy of the Group's internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

INSIDE INFORMATION

During the Relevant Period, the Company adopted a Disclosure of Inside Information Policy which sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. The Chairman of the Board and/or the Finance Director are/is designated as the authorised spokespersons of the Company. Inside information should be disclosed by way of an announcement in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external independent auditors of the Company, Messrs Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 26.

On behalf of the Board

Lam How Mun Peter
Chairman

Hong Kong, 26 March 2013

The directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2012.

CORPORATE REORGANISATION AND INITIAL PUBLIC OFFERING

The Company was incorporated in Bermuda on 24 October 2011 with limited liability. Through a series of group reorganisation procedures, the Company became the holding company of the Group. Details of the corporate 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 (the "Prospectus"). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2012 (the "Listing Date").

PRINCIPAL ACTIVITIES

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. Its product portfolio is principally packaging products for watches, jewellery and eyewear products, comprising packaging cases, bags and pouches and display units. Details of the principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the Group's principal activities during the year except the corporate reorganisation as mentioned above.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 71.

The directors do not recommend the payment of any final dividend for the year ended 31 December 2012.

CLOSURE OF REGISTER OF MEMBERS

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

DIRECTORS' REPORT

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares on Listing Date amounted to HK\$20.2 million. As at 31 December 2012, the unused proceeds of HK\$15.2 million were deposited into licensed banks in Hong Kong.

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

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the audited financial statements, is set out on page 72. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

ASSOCIATES

Particulars of the Group's associates are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act 1981 of Bermuda or in the Company's By-laws.

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$35,155,000. In addition, the Company's share premium account in the amount of HK\$18,733,000 may be distributed in form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group had made charitable contributions amounting to HK\$100,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted in the aggregate for 43.8% of the total sales for the year and sales to the largest customer included therein amounted to 17.0%. Purchases from the Group's five largest suppliers accounted in the aggregate for 56.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to 34.1%.

None of the directors, their associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the period and up to the date of this report were as follows:

Executive Directors:

Ms. Poon Ho Yee Agnes (*Managing Director*)
(appointed as Director on 28 November 2011 and was re-designated on 18 May 2012)
 Mr. Lam Hiu Lo (*appointed on 18 May 2012*)
 Mr. Leung Chun Cheong
(appointed as Director on 28 November 2011 and was re-designated on 18 May 2012)
 Mr. Wu Hong Cho (*appointed on 18 May 2012*)

Non-executive Directors:

Dr. Lam How Mun Peter (*Chairman*) (*appointed on 19 June 2012*)
 Mr. Leung Wai Fai (*appointed on 19 June 2012*)

Independent Non-executive Directors:

Mr. Chan Sze Hung (*appointed on 19 June 2012*)
 Dr. Leung Wai Keung (*appointed on 19 June 2012*)
 Mr. Tam Kwok Fai Paul (*appointed on 19 June 2012*)

In accordance with Bye-law 84 of the Company's Bye-laws, Messrs. Leung Chun Cheong, Leung Wai Fai and Chan Sze Hung will retire at the forthcoming annual general meeting. Messrs. Leung Chun Cheong, Leung Wai Fai and Chan Sze Hung, being eligible, will offer themselves for re-election. All other directors will continue to be in office.

The Company has received from each of the Independent Non-executive Directors, Messrs. Chan Sze Hung, Leung Wai Keung and Tam Kwok Fai Paul, an annual written confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board has reviewed their independence based on such confirmations and considers all of them to remain independent.

DIRECTORS' REPORT

DIRECTORS' BIOGRAPHIES

Updated biographical details of the directors of the Company are set out on pages 4 to 5. During the period from the Listing Date up to the date of this report, Ms. Poon Ho Yee Agnes and Mr. Lam Hiu Lo resigned as executive directors of C C Land Holdings Limited ("CC Land") on the Listing Date. Mr. Chan Sze Hung resigned as non-executive director of Asia Orient Holdings Limited on 9 July 2012. Mr. Lam Hiu Lo was appointed independent non-executive director of EVA Precision Industrial Holdings Limited on 11 January 2013. The shares of all these companies are listed on the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date, and shall continue thereafter unless and until terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Each of the Non-executive Directors (including Independent Non-executive Directors) has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date until terminated by not less than one month written notice to the other party and subject to the early termination provisions contained therein.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

NON-COMPETITION UNDERTAKINGS

The Company has received from each of the controlling shareholders of the Company, namely, Mr. Cheung Chung Kiu ("Mr. Cheung"), Thrivetrade Limited ("Thrivetrade") and Regulator Holdings Limited ("Regulator"), and CC Land (collectively the "Covenantors") an annual confirmation in relation to the non-competition undertakings (the "Undertakings") made to the Company under the Deed of Non-competition dated 21 June 2012 (details are disclosed in the Prospectus under the section headed "Relationship with Controlling Shareholders and CC Land"). The Independent Non-executive Directors have reviewed the Undertakings and are of the view that each of the Covenantors has complied with the terms of the Deed of Non-competition throughout the period from the Listing Date to 31 December 2012.

DIRECTORS' REMUNERATION

Details of the directors' remuneration and the five highest paid employees in the Group are set out in notes 7 and 8 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications and competence of individual employee which are reviewed regularly in order to provide compensation packages at market rates sufficient to reward successful performance and attract, retain and motivate employees. The Company has adopted a share option scheme as a long-term incentive to eligible employees and directors, details of which are set out in note 27 to the financial statements.

The remuneration policy for Executive Directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the Executive Directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages sufficient to attract, retain and motivate high quality executives to serve the Company. The fees for Non-executive Directors are determined with reference to their duties and level of responsibility with the Company and are reviewed on an annual basis.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2012, details of the interests and short positions of each of the directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation of the Company (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 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	Approximate percentage (Note)
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 31 December 2012.

Save as disclosed above, as at 31 December 2012, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation of the Company (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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions" above and "Share Option Scheme" below, and in the share option scheme disclosures set out in note 27 to the financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the period from the Listing Date to 31 December 2012.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 18 May 2012, details of which were disclosed in the Prospectus and are set out in note 27 to the financial statements. No share option has been granted since the adoption of the Scheme.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 31 December 2012, details of the interests and short positions in the shares and underlying shares of the Company of every person other than the directors or the chief executive of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held (long position)	Approximate ³ percentage
Mr. Cheung	Interest of controlled corporation	72,726,098 ^{1&2}	50.58
Thrivetrade	Beneficial owner	58,385,656 ¹	40.61
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 ("Chongqing")	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 shares were held by 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 shares were held by Regulator, a direct wholly-owned subsidiary of Yugang-BVI, which is in turn a direct wholly-owned subsidiary of Yugang.

Yugang was owned by Chongqing, Timmex Investment Limited ("Timmex") and Mr. Cheung as to approximately 34.33%, 9.16% and 0.57% respectively. Chongqing 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, Chongqing, Yugang and Yugang-BVI was therefore deemed to be interested in the same number of shares to be 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 31 December 2012.

Save as disclosed above, as at 31 December 2012, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company of any other person other than the directors and the chief executive of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken by the Group for the year are set out in note 32 to the financial statements. These transactions were exempted continuing connected transactions under the Listing Rules. The Company's directors (including independent non-executive directors) are of the view that these transactions were in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable, and in the interests of the shareholders as a whole. Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the period from the Listing Date to 31 December 2012 and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as independent auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lam How Mun Peter
Chairman

Hong Kong, 26 March 2013

INDEPENDENT AUDITORS' REPORT



Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

To the shareholders of Qualipak International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Qualipak International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 71, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
REVENUE	5	389,304	418,660
Cost of sales		(318,099)	(332,735)
Gross profit		71,205	85,925
Other income and gains	5	2,975	3,564
Selling and distribution expenses		(14,688)	(14,969)
Administrative expenses		(32,841)	(27,913)
Other expenses		(966)	294
Share of profits and losses of associates		486	(480)
PROFIT BEFORE TAX	6	26,171	46,421
Income tax expense	9	(3,256)	(4,931)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		22,915	41,490
Attributable to:	11		
Owners of the parent		20,341	37,828
Non-controlling interests		2,574	3,662
		22,915	41,490
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	14.93 cents	29.24 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	121,247	124,843
Prepaid land lease payments	14	13,341	13,742
Investments in associates	16	1,111	625
Total non-current assets		135,699	139,210
CURRENT ASSETS			
Prepaid land lease payments	14	402	402
Inventories	17	36,141	39,007
Trade and bills receivables	18	51,611	45,916
Prepayments, deposits and other receivables	19	4,889	4,600
Tax recoverable		875	–
Pledged deposits	20	7,516	–
Cash and cash equivalents	20	74,004	59,798
Total current assets		175,438	149,723
CURRENT LIABILITIES			
Trade and bills payables	21	31,651	38,329
Other payables and accruals	22	28,640	29,783
Due to a related party	23	–	52,409
Tax payable		–	901
Total current liabilities		60,291	121,422
NET CURRENT ASSETS		115,147	28,301
TOTAL ASSETS LESS CURRENT LIABILITIES		250,846	167,511
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	1,538	1,017
Net assets		249,308	166,494
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	14,377	–
Reserves	26(a)	233,330	164,037
		247,707	164,037
Non-controlling interests		1,601	2,457
Total equity		249,308	166,494

Lam How Mun Peter
Director

Leung Chun Cheong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Notes	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
		Issued capital	Share premium account	Special reserve	Capital reserve	Contributed surplus	Merger reserve	Retained profits			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011		-	-	(556)	2,291	-	78	123,998	125,811	2,225	128,036
Profit and total comprehensive income for the year		-	-	-	-	-	-	37,828	37,828	3,662	41,490
Disposal of carved-out subsidiaries		-	-	398	-	-	-	-	398	-	398
Dividend paid to a non-controlling shareholder		-	-	-	-	-	-	-	-	(3,430)	(3,430)
At 31 December 2011 and 1 January 2012		-	-*	(158)*	2,291*	-*	78*	161,826*	164,037	2,457	166,494
Profit and total comprehensive income for the year		-	-	-	-	-	-	20,341	20,341	2,574	22,915
Contribution from a shareholder	23	-	-	-	43,000	-	-	-	43,000	-	43,000
Disposal of carved-out subsidiaries		-	-	158	-	-	-	-	158	-	158
Dividend paid to a non-controlling shareholder		-	-	-	-	-	-	-	-	(3,430)	(3,430)
Capitalisation issue of shares	25(v)	219	-	-	-	(219)	-	-	-	-	-
Issue of new shares	25(iv),(vi)	14,158	21,420	-	-	(12,642)	(78)	-	22,858	-	22,858
Share issue expenses	25	-	(2,687)	-	-	-	-	-	(2,687)	-	(2,687)
At 31 December 2012		14,377	18,733*	-*	45,291*	(12,861)*	-*	182,167*	247,707	1,601	249,308

* These reserve accounts comprise the consolidated reserves of HK\$233,330,000 (2011: HK\$164,037,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		26,171	46,421
Adjustments for:			
Share of profits and losses of associates		(486)	480
Bank interest income	5	(89)	(26)
Other interest income	5	–	(890)
Depreciation	13	4,983	5,834
Amortisation of prepaid land lease payments	14	401	402
Gain on disposal of items of property, plant and equipment	5	(62)	(56)
Impairment/(write-back of impairment) of trade receivables	6	307	(294)
Write-down/(write-back) of inventories to net realisable value	6	61	(1,538)
Forfeiture of deposits from customers	5	865	–
		32,151	50,333
Decrease in inventories		2,805	5,610
Decrease/(increase) in trade, bills and other receivables, prepayments and deposits		(6,291)	6,544
Decrease in trade, bills and other payables and accruals		(8,686)	(12,788)
Cash generated from operations		19,979	49,699
Interest received		89	916
Hong Kong profits tax paid		(4,511)	(5,436)
Net cash flows from operating activities		15,557	45,179
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	(1,389)	(159)
Proceeds from disposal of items of property, plant and equipment		64	829
Increase in pledged deposits		(7,516)	–
Net cash flows from/(used in) investing activities		(8,841)	670
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	25	22,858	–
Share issue expenses	25	(2,687)	–
Dividend paid to a non-controlling shareholder		(3,430)	(3,430)
Decrease in an amount due to a related party		(9,251)	(47,956)
Net cash flows from/(used in) financing activities		7,490	(51,386)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		14,206	(5,537)
Cash and cash equivalents at beginning of year		59,798	65,335
CASH AND CASH EQUIVALENTS AT END OF YEAR		74,004	59,798
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	57,976	59,798
Non-pledged time deposits with original maturity of less than three months when acquired	20	16,028	–
		74,004	59,798

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	47,890	–
CURRENT ASSETS			
Prepayments and other receivables	19	290	530
Due from subsidiaries	15	6,300	–
Cash and cash equivalents	20	17,836	–
Total current assets		24,426	530
CURRENT LIABILITIES			
Accruals	22	2,409	–
Due to subsidiaries	15	1,600	–
Due to a related party	23	–	577
Tax payable		42	–
Total current liabilities		4,051	577
Net current assets/(liabilities)		20,375	(47)
Net assets/(liabilities)		68,265	(47)
EQUITY/(DEFICIENCY IN ASSETS)			
Issued capital	25	14,377	–
Reserves	26(b)	53,888	(47)
Total equity/(deficiency in assets)		68,265	(47)

Lam How Mun Peter
Director

Leung Chun Cheong
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION AND GROUP REORGANISATION

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

The principal activities of the Company are investment holding and provision of corporate management services. The 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.

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

2.1 BASIS OF PREPARATION

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

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

Basis of consolidation

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ²
HKFRS 11	<i>Joint Arrangements</i> ²
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ²
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ³
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of items of Other Comprehensive Income</i> ¹
HKAS 19 (2011)	<i>Employee Benefits</i> ²
HKAS 27 (2011)	<i>Separate Financial Statements</i> ²
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ³
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ² Amendments to a number of HKFRSs issued in June 2012 ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (“OCI”). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes 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.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which 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. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 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 in accordance with HKFRS 9 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 Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

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 are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group’s policies are as follows:

- (a) *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- (b) *HKAS 32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and reserves of associates is included in profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% to 5% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Electricity supply system	10%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%
Plant and machinery	10%
Moulds	15%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Initial recognition and measurement (Continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, and an amount due to a related party.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments

The Group uses derivative financial instruments, being forward currency contracts, to manage its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. The derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of the derivative financial instruments are taken directly to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (c) rental income, on a time proportion basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of certain overseas subsidiaries is a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment loss on trade and other receivables

In determining whether impairment loss on trade and other receivables is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discusses with the relevant customers and reports to management on the recoverability. Impairment loss is only made for receivables that are unlikely to be collected.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the amount of unrecognised tax losses are set out in note 24 to the financial statements.

4. 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:

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

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

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

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

Information about a major customer

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

6. PROFIT BEFORE TAX

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

	Notes	2012 HK\$'000	2011 HK\$'000
Cost of inventories sold		318,038	334,273
Depreciation	13	4,983	5,834
Amortisation of prepaid land lease payments	14	401	402
Minimum lease payments under operating leases in respect of land and buildings		212	921
Auditors' remuneration		1,585	530
Employee benefit expenses (including directors' remuneration (note 7)):			
Wages and salaries		92,870	94,364
Pension scheme contributions		9,485	3,455
		102,355	97,819
Gross rental income		(678)	(492)
Direct operating expenses (including repairs and maintenance) arising on rental-earning properties		51	177
Net rental income		(627)	(315)
Foreign exchange differences, net		659*	(380)
Impairment/(write-back of impairment) of trade receivables		307*	(294)*
Write-down/(write-back) of inventories to net realisable value		61	(1,538)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Fees	466	–
Other emoluments:		
Salaries, allowances and benefits in kind	2,698	1,794
Performance related bonuses*	1,400	1,360
Pension scheme contributions	104	83
	4,668	3,237

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Company's operating results, individual performance of the directors and comparable market statistics during the year.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2012 HK\$'000	2011 HK\$'000
Mr. Chan Sze Hung	94	–
Dr. Leung Wai Keung	94	–
Mr. Tam Kwok Fai Paul	94	–
	282	–

Mr. Chan Sze Hung, Dr. Leung Wai Keung and Mr. Tam Kwok Fai Paul were appointed as independent non-executive directors of the Company on 19 June 2012.

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

7. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors

Year ended		Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
31 December 2012	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:						
Mr. Lam Hiu Lo		-	-	-	-	-
Mr. Leung Chun Cheong		-	332	-	14	346
Ms. Poon Ho Yee Agnes	(ii)	-	1,950	900	90	2,940
Mr. Wu Hong Cho		-	416	500	-	916
		-	2,698	1,400	104	4,202
Non-executive directors:						
Dr. Lam How Mun Peter	(i)	118	-	-	-	118
Mr. Leung Wai Fai		66	-	-	-	66
		184	-	-	-	184
		184	2,698	1,400	104	4,386

Year ended		Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
31 December 2011	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:						
Mr. Lam Hiu Lo		-	-	-	-	-
Dr. Lam How Mun Peter	(i)	-	-	1,000	-	1,000
Mr. Leung Chun Cheong		-	-	-	-	-
Ms. Poon Ho Yee Agnes	(ii)	-	1,794	360	83	2,237
		-	1,794	1,360	83	3,237

(i) Dr. Lam How Mun Peter concentrated on strategic planning and overall management of the Group during the year ended 31 December 2011. He was appointed as non-executive director of the Company on 19 June 2012.

(ii) The director's emoluments during the year ended 31 December 2011 and the period from 1 January 2012 to 11 July 2012 were paid by way of a management fee to C C Land Holdings Limited ("CC Land"), the then immediate holding company of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. During the year ended 31 December 2011, directors' remuneration amounting to HK\$1,000,000 was waived by an executive director, Dr. Lam How Mun Peter, for his services rendered to the Group for the year ended 31 December 2011.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2011: two directors), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2011: three) non-director highest paid employees are as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Salaries, allowances and benefits in kind	2,493	2,313
Performance related bonuses	162	153
Pension scheme contributions	118	91
	2,773	2,557

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2012	2011
Nil to HK\$1,000,000	3	3

9. INCOME TAX

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

	2012 HK\$'000	2011 HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	2,789	5,008
Underprovision/(overprovision) in prior years	(54)	1
Deferred (note 24)	521	(78)
Total tax charge for the year	3,256	4,931

9. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Profit before tax	26,171	46,421
Tax at the statutory tax rates at 16.5%	4,318	7,660
Tax effect of Hong Kong profits tax at a concessionary rate	(1,773)	(3,314)
Adjustments in respect of current tax of previous periods	(54)	1
Profits and losses attributable to associates	(80)	79
Income not subject to tax	(15)	(51)
Expenses not deductible for tax	948	500
Tax losses utilised from previous periods	(116)	(4)
Tax losses not recognised	10	2
Others	18	58
Tax charge at the Group's effective tax rate	3,256	4,931

10. DIVIDEND

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

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of HK\$251,000 (2011: Loss of HK\$47,000) which has been dealt with in the financial statements of the Company (note 26(b)).

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

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

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Electricity supply system HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Moulds HK\$'000	Total HK\$'000
31 December 2012								
At 31 December 2011 and 1 January 2012:								
Cost	144,154	3,193	2,729	12,313	2,975	20,102	8,202	193,668
Accumulated depreciation	(25,857)	(3,072)	(2,727)	(10,449)	(1,966)	(17,156)	(7,598)	(68,825)
Net carrying amount	118,297	121	2	1,864	1,009	2,946	604	124,843
At 1 January 2012, net of accumulated depreciation	118,297	121	2	1,864	1,009	2,946	604	124,843
Additions	-	33	-	431	-	925	-	1,389
Disposals	-	-	-	(2)	-	-	-	(2)
Depreciation provided during the year	(3,022)	(86)	(1)	(492)	(391)	(761)	(230)	(4,983)
At 31 December 2012, net of accumulated depreciation	115,275	68	1	1,801	618	3,110	374	121,247
At 31 December 2012:								
Cost	144,154	2,872	2,729	10,066	2,843	15,989	6,251	184,904
Accumulated depreciation	(28,879)	(2,804)	(2,728)	(8,265)	(2,225)	(12,879)	(5,877)	(63,657)
Net carrying amount	115,275	68	1	1,801	618	3,110	374	121,247
31 December 2011								
At 1 January 2011:								
Cost	144,154	6,013	2,729	12,967	4,511	22,928	9,264	202,566
Accumulated depreciation	(22,835)	(5,778)	(2,567)	(10,362)	(3,060)	(18,669)	(8,004)	(71,275)
Net carrying amount	121,319	235	162	2,605	1,451	4,259	1,260	131,291
At 1 January 2011, net of accumulated depreciation	121,319	235	162	2,605	1,451	4,259	1,260	131,291
Additions	-	55	-	40	-	53	11	159
Disposals	-	-	-	(119)	-	(390)	(264)	(773)
Depreciation provided during the year	(3,022)	(169)	(160)	(662)	(442)	(976)	(403)	(5,834)
At 31 December 2011, net of accumulated depreciation	118,297	121	2	1,864	1,009	2,946	604	124,843
At 31 December 2011:								
Cost	144,154	3,193	2,729	12,313	2,975	20,102	8,202	193,668
Accumulated depreciation	(25,857)	(3,072)	(2,727)	(10,449)	(1,966)	(17,156)	(7,598)	(68,825)
Net carrying amount	118,297	121	2	1,864	1,009	2,946	604	124,843

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net carrying amount of land and buildings shown above comprises:

	Group	
	2012 HK\$'000	2011 HK\$'000
Land and buildings situated in Hong Kong:		
Long term leases	61,741	63,175
Medium term leases	5,276	5,434
	67,017	68,609
Buildings situated in Mainland China:		
Medium term leases	48,258	49,688
	115,275	118,297

Certain of the Group's land and buildings were pledged to a bank to secure general banking facilities granted to the Group (note 30).

The Group's land and buildings, included above at cost, were valued at HK\$166,246,000 as at 30 April 2012 in the Prospectus. Had the Group's buildings been included in these financial statements at such valuation amount throughout the year ended 31 December 2012, an additional depreciation charge of HK\$1,627,000 would have been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2012.

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2012 HK\$'000	2011 HK\$'000
Carrying amount at 1 January	14,144	14,546
Recognised during the year	(401)	(402)
Carrying amount at 31 December	13,743	14,144
Current portion	(402)	(402)
Non-current portion	13,341	13,742

The Group's leasehold land is situated in Mainland China and is held under a medium term lease.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	47,890	–

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand or within one year.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Big Focus Limited [#]	British Virgin Islands ("BVI")	Ordinary US\$1	–	100	Investment holding
Empire New Assets Limited	BVI/Hong Kong	Ordinary US\$100	–	100	Property holding
King Place Investments Limited	BVI/Hong Kong	Ordinary US\$100	–	100	Property holding
Onestep Enterprises Limited [#]	BVI	Ordinary US\$100	–	100	Investment holding
Permate Production Inc. [#]	BVI	Ordinary US\$20	–	100	Property holding
Qualipak Development Limited [#]	BVI	Ordinary US\$10,000	100	–	Investment holding
Qualipak Fortune Inc. [#]	BVI	Ordinary US\$10,000	–	100	Dormant
Qualipak Manufacturing Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred HK\$22,303,857 (Note)	–	100	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Qualipak Manufacturing (China) Limited [#]	BVI	Ordinary US\$1	–	100	Holding a vehicle
Qualipak Nominees Limited [#]	BVI	Ordinary US\$1	–	100	Provision of nominee services
Qualipak Packaging (Zhongshan) Co., Ltd ^{##}	The PRC	Registered and paid-up HK\$16,000,000	–	100	Dormant
Qualipak Production Inc. [#]	BVI	Ordinary US\$10,000	–	100	Property holding
Theme Production House Limited ^{###}	Hong Kong	Ordinary HK\$1,000,000	–	51	Trading of display units

15. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Winning Hand Management Limited	BVI/ Mainland China	Ordinary US\$1	–	100	Property holding
Wisdom Way Limited	Hong Kong	Ordinary HK\$2	–	100	Property holding
Qualipak Production (Shenzhen) Company Limited ^{*###} (確必達包裝製造(深圳)有限公司)	The PRC	Registered US\$1,000,000	–	100	Manufacture and sale of packaging products

These are investment holding companies which have no specific principal place of operations.

These companies are registered as wholly-owned foreign enterprises under PRC law.

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

* Direct translation from the Chinese name which is for identification purposes only.

Note: The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting.

16. INVESTMENTS IN ASSOCIATES

	Group	
	2012 HK\$'000	2011 HK\$'000
Share of net assets	1,111	625
Goodwill on acquisition	31,438	31,438
	32,549	32,063
Less: Provision for impairment	(31,438)	(31,438)
	1,111	625

The goodwill arising from the acquisition of associates is set out below:

	Group	
	2012 HK\$'000	2011 HK\$'000
At 1 January and 31 December:		
Cost	31,438	31,438
Less: Accumulated impairment	(31,438)	(31,438)
Net carrying amount	–	–

Goodwill arising from the acquisition of associates has been included in the carrying value of the associates, and the entire carrying value of the investments in associates is tested for impairment as a single asset. The entire goodwill was fully impaired in prior years.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

16. INVESTMENTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Place of incorporation/ registration	Particulars of issued shares held	Percentage of ownership interest attributable to the Group	Principal activities
Technical International Holdings Limited	BVI	Ordinary shares of US\$1 each	30	Investment holding
T Plus Limited	Hong Kong	Ordinary shares of HK\$1 each	30	Design and trading of wine openers, knives and kitchenware
Technical Development (HK) Limited	Hong Kong	Ordinary shares of HK\$1 each	30	Design and trading of wine openers, knives and kitchenware
Technical (HK) Manufacturing Limited	Hong Kong	Ordinary shares of HK\$1 each	30	Design and trading of wine openers, knives and kitchenware

All the above associates are held by a wholly-owned subsidiary of the Company and were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network. They have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	2012 HK\$'000	2011 HK\$'000
Assets	37,119	34,576
Liabilities	(33,419)	(32,494)
Revenue	130,609	100,395
Profit/(loss)	1,618	(1,600)

17. INVENTORIES

	Group	
	2012 HK\$'000	2011 HK\$'000
Raw materials	12,116	12,936
Work in progress	11,426	11,758
Finished goods	12,599	14,313
	36,141	39,007

18. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

18. TRADE AND BILLS RECEIVABLES (Continued)

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
At 1 January	748	1,050
Impairment losses recognised	307	387
Impairment losses reversed	–	(681)
Amount written off as uncollectible	–	(8)
	1,055	748

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of HK\$1,055,000 (2011: HK\$748,000) with a carrying amount before provision of HK\$1,055,000 (2011: HK\$748,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Prepayments	1,330	1,492	282	530
Deposits	3,488	2,968	–	–
Other receivables	71	140	8	–
	4,889	4,600	290	530

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash and bank balances	57,976	59,798	1,808	–
Time deposits	23,544	–	16,028	–
	81,520	59,798	17,836	–
Less: Pledged time deposits (Note)	(7,516)	–	–	–
	74,004	59,798	17,836	–

Note: The time deposits were pledged to secure general banking facilities granted to the Group's associates (note 30).

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$7,727,000 (2011: HK\$6,074,000). RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents and pledged deposits approximate to their fair values.

21. 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:

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

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

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Deposits received	15,263	17,912	–	–
Other payables	20	316	–	–
Accruals	13,357	11,555	2,409	–
	28,640	29,783	2,409	–

Other payables are non-interest-bearing and are normally settled within three months.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

23. DUE TO A RELATED PARTY

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

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

24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Group

	Depreciation allowance in excess of related depreciation HK\$'000
At 1 January 2011	1,095
Deferred tax credited to profit or loss during the year (note 9)	(78)
At 31 December 2011 and 1 January 2012	1,017
Deferred tax charged to profit or loss during the year (note 9)	521
As at 31 December 2012	1,538

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2012, no deferred tax has been recognised for withholding taxes as the Group's subsidiaries established in Mainland China have been dormant and loss-making for some time.

The Group had tax losses arising in Hong Kong of HK\$765,000 (2011: HK\$1,409,000), subject to the confirmation of tax losses from the Hong Kong Inland Revenue Department. They are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

Shares

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

25. SHARE CAPITAL *(Continued)*

- (i) At the date of incorporation, the authorised share capital of the Company was HK\$50,000 divided into 500,000 shares of HK\$0.10 each.
- (ii) Pursuant to an ordinary resolution passed on 15 May 2012, the authorised share capital of the Company was increased from HK\$50,000 to HK\$100,000,000 by the creation of additional 999,500,000 shares of HK\$0.10 each, ranking pari passu in all respects with the existing shares of the Company.
- (iii) On 28 November 2011, one share of HK\$0.10 was allotted and issued, at nil paid, to CC Land.
- (iv) On 15 May 2012, the Company entered into a sale and purchase agreement with CC Land, 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 as detailed in note (iii) above was also credited as fully paid.
- (v) Pursuant to the written resolution of CC Land passed on 19 June 2012, the directors had authorised to capitalise HK\$219,000 standing to the credit of the contributed surplus account of the Company and apply the same to pay up in full at par 2,193,832 ordinary shares for allotment and issue to CC Land on 11 July 2012.
- (vi) On 11 July 2012, 14,375,999 ordinary shares of HK\$0.10 each were issued at a price of HK\$1.59 per share for a total consideration, before expenses, of approximately HK\$22,858,000. Dealing in these shares on the Stock Exchange commenced on 12 July 2012.

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29.

(b) Company

	Notes	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 24 October 2011 (date of incorporation)		–	–	–	–
Loss and total comprehensive loss for the year		–	–	(47)	(47)
At 31 December 2011 and 1 January 2012		–	–	(47)	(47)
Profit and total comprehensive income for the year		–	–	251	251
Acquisition of a subsidiary	25(iv)	–	35,170	–	35,170
Capitalisation issues of shares	25(v)	–	(219)	–	(219)
Issue of new shares	25(vi)	21,420	–	–	21,420
Share issue expenses		(2,687)	–	–	(2,687)
At 31 December 2012		18,733	34,951	204	53,888

27. 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 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.

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 offer 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 Stock Exchange closing price of the Company’s shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

- (a) During the year, the Company entered into a sale and purchase agreement with CC Land, the then immediate holding company of the Company, to acquire from CC Land the entire equity interest in a wholly-owned subsidiary of CC Land, in exchange for which the Company allotted and issued 127,196,161 ordinary shares. Further details of which are set out in note 25(iv) to the financial statements.
- (b) On 24 February 2012, an amount of HK\$43,000,000 due to CC Land was waived, and was recognised as a capital contribution from a shareholder.

29. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2012 (2011: Nil).

At 31 December 2012, the contingent liabilities of the Company not provided for in the financial statements comprised guarantees of HK\$42,000,000 (2011: Nil), in aggregate, given to banks in connection with facilities granted to a subsidiary, of which the banking facilities were not utilised by the subsidiary as at 31 December 2012.

30. PLEDGE OF ASSETS

At 31 December 2012, the Group pledged certain of its land and buildings with an aggregate carrying amount of HK\$36,125,000 (2011: HK\$5,434,000) as securities for general banking facilities granted to the Group.

At 31 December 2012, the Group pledged deposits with an aggregate carrying amount of HK\$7,516,000 (2011: Nil) as securities for general banking facilities granted to the Group's associates.

The Company did not pledge any of its assets as at 31 December 2012 (2011: Nil).

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties (note 13 to the financial statements) under an operating lease arrangement, with a lease negotiated for a term of three years. The term of the lease generally also requires the tenants to pay security deposits and provides for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Within one year	960	321
In the second to fifth years, inclusive	1,468	–
	2,428	321

(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.

31. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee *(Continued)*

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Within one year	165	177

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year:

	Notes	Group	
		2012 HK\$'000	2011 HK\$'000
Rental income earned from the then immediate holding company	(i)	226	428
Rental income earned from an entity which is under common control of a controlling shareholder of the Company	(i)	452	–
Rental income earned from an entity which is under common control of the then immediate holding company	(i)	–	64
Management fee paid to the then immediate holding company	(ii)	1,277	2,412
Interest income from an entity which is under common control of the then immediate holding company	(iii)	–	890

Notes:

- (i) The rental income received from CC Land, the then immediate holding company of the Company, an entity under common control of CC Land, and an entity which is under common control of a controlling shareholder of the Company were mutually agreed between the Company and the related parties. Upon the listing of shares of the Company on the Listing Date, the Company and CC Land are under common control of a controlling shareholder.
- (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.

Details of the amount of the director's remuneration paid by way of a management fee are set out in note 7 to the financial statements.
- (iii) Interest was charged by the Group at 10% per annum.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with a related party

As at 31 December 2011, CC Land, the then immediate holding company, had guaranteed certain bank facilities made to the Group up to HK\$32,000,000.

(c) Commitments with related parties

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 32(a)(i) to the financial statements. The amount of an operating lease commitment as a lessor is included in note 31(a) to the financial statements.

On 30 September 2011, a subsidiary of the Group entered into a one-year agreement ended 30 September 2012 with the then immediate holding company to lease office premises in Hong Kong. The amount of rental income is included in note 32(a)(i) to the financial statements.

(d) Outstanding balances with a related party

As at 31 December 2011, the Group had an outstanding balance due to CC Land, the then immediate holding company of the Group. Further details are set out in note 23 to the financial statements.

(e) Compensation of key management personnel of the Group

Further details of directors' emoluments are included in note 7 to the financial statements.

Upon the listing of the shares of the Company on the Stock Exchange, the transactions with CC Land, the then immediate holding company, included in notes 32(a)(i) and 32(a)(ii) to the financial statements have been discontinued.

Except for the transactions with related parties which is under common control of a controlling shareholder of the Company and the then immediate holding company included in notes 32(a)(i) and 32(a)(ii) to the financial statements, all of the above related party transactions do not constitute a connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, deposits and other receivables, trade and bills payables and other payables and accruals. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has currency exposure as the majority of its sales from packaging products were denominated in US\$, which is pegged to HK\$. On the other hand, the expenses or expenditures incurred in the operations of the manufacturing plants were denominated in RMB, which expose the Group to foreign currency risk.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or devaluation of RMB against HK\$ and US\$ may have impact on the operating results of the Group.

There are limited hedging instruments available to the Group to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has entered into a cross currency swap with a bank in an effort to reduce the Group's exposure to foreign currency exchange risk. The Group may decide to enter into hedging transactions in the future and management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK\$'000
2012		
If HK\$ weakens against RMB	7	(1)
If HK\$ strengthens against RMB	(7)	1
2011		
If HK\$ weakens against RMB	7	(91)
If HK\$ strengthens against RMB	(7)	91

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables and other receivables as disclosed in notes 18 and 19 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its business operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	Total HK\$'000
At 31 December 2012				
Trade and bills payables	–	31,389	262	31,651
Other payables and accruals	–	13,377	–	13,377
	–	44,766	262	45,028
At 31 December 2011				
Trade and bills payables	–	37,919	410	38,329
Other payables and accruals	–	11,871	–	11,871
Due to a related party	52,409	–	–	52,409
	52,409	49,790	410	102,609

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand HK\$'000	Less than 3 months HK\$'000	Total HK\$'000
At 31 December 2012			
Due to subsidiaries	1,600	–	1,600
Accruals	–	2,409	2,409
	1,600	2,409	4,009
At 31 December 2011			
Due to a related party	577	–	577

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders, to procure adequate financial resources from shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

The Group monitors capital using a net debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. Net debt includes trade and bills payables, other payables and accruals and an amount due to a related party, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent plus net debt. The net debt-to-adjusted capital ratios as at the end of the reporting periods were as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Trade and bills payables	31,651	38,329
Other payables and accruals	28,640	29,783
Due to a related party	–	52,409
Less: Cash and cash equivalents	(74,004)	(59,798)
Net debt	(13,713)	60,723
Equity attributable to owners of the parent	247,707	164,037
Adjusted capital	233,994	224,760
Net debt-to-adjusted capital ratio	N/A	27%

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2013.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years is set out below.

RESULTS

	Years ended 31 December			
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
REVENUE	389,304	418,660	391,052	294,671
PROFIT BEFORE TAX	26,171	46,421	35,519	21,849
Income tax expense	(3,256)	(4,931)	(4,091)	(2,724)
PROFIT FOR THE YEAR	22,915	41,490	31,428	19,125
Attributable to:				
Owners of the parent	20,341	37,828	27,378	16,442
Non-controlling interests	2,574	3,662	4,050	2,683
	22,915	41,490	31,428	19,125

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Total assets	311,137	288,933	312,122	283,524
Total liabilities	(61,829)	(122,439)	(184,086)	(182,996)
Non-controlling interests	(1,601)	(2,457)	(2,225)	(2,095)
	247,707	164,037	125,811	98,433

The summary of the consolidated results of the Group for the three years ended 31 December 2009, 2010 and 2011 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2009, 2010 and 2011 have been extracted from the Prospectus. Such summary is presented on the basis as set out in the Prospectus.

The financial information for the year ended 31 December 2008 was not disclosed as consolidated financial statements for the Group have not been prepared for that year.