



QUALIPAK

INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1332



2014

INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive directors

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

Non-executive directors

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

Independent non-executive directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Ms. Poon Ho Yee Agnes
Mr. Wu Hong Cho

COMPANY SECRETARY

Ms. Fung Pui Ling

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

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

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.qualipakhk.com

STOCK CODE

1332

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors (the “Directors” or the “Board”) of Qualipak International Holdings Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014.

BUSINESS REVIEW

Year 2014 continued to be a challenging year for the Group, with the world economy getting off on a faltering start affected by the political turbulence in Eastern Europe, prospects of tapering of the quantitative easing measures in the US, and generally subdued growth in almost all other regions. The slowing down of the Chinese economy, fragile recovery in the Euro area, and shrinkage in GDP growth in the US have together caused overall slackening in consumption and the demand for luxury goods. Driven by a possible weakening in consumption sentiment, customers delayed ordering for packaging products until their inventory level required replenishment. Sales volume and revenue were adversely impacted by the conservative orders placed by customers.

Since production costs and some of the operating expenses are relatively constant and fixed in nature regardless of fluctuation of sales revenue, any modest drop in sales orders would result in a fall in revenue and a disproportionate fall in profits. The revenue for the period was HK\$191.3 million, a 10.7% decline from HK\$214.2 million for the corresponding period of last year. As a result, the Group recorded a profit before tax of HK\$4.3 million for the period, as compared with HK\$10.2 million for the corresponding period of last year.

Geographically, Hong Kong and Mainland China are still the Group’s most prominent market. However, sales activities to all major markets have experienced different degrees of a downward slide. Compared to the corresponding period of last year, sales to Hong Kong and Mainland China and North and South America have decreased 18.2% and 21.3%, respectively while for European market, it has modestly declined 8.1%.

The operating environment was still unfavourable to many manufacturers in Southern China during the period under review as surging production costs and soaring wage expenses continue to erode their profitability. The increase in wages was attributable to the continuing urbanization leading to shortage of skilled labour, and the Chinese government pushing up wage adjustment during the period. However, to stay competitive in the price sensitive market, the Group only passes the additional costs onto its customers only to the extent as could be appropriate.

Caused by the weak consumer spending in consumer products and luxury goods, sales revenue for the first half of 2014 decreased to HK\$191.3 million (six months ended 30 June 2013: HK\$214.2 million). The Group’s net profit and net profit margin decreased to HK\$3.5 million (six months ended 30 June 2013: HK\$8.6 million) and 1.8% (six months ended 30 June 2013: 4.0%), respectively. This was mainly due to the decrease in revenue, increase in labor cost and other operating costs.

FINANCIAL REVIEW

Revenue

The Group generated revenue from its only one operating segment, which is the manufacture and sale of packaging cases, bags and pouches and display units for watches, jewellery and eyewear products. Its customers include internationally renowned brands of watches, jewellery and eyewear products and others like traders of packaging and display products. The revenue of the Group decreased by 10.7% to HK\$191.3 million (six months ended 30 June 2013: HK\$214.2 million), in view of a decline in revenue from existing customers dipping across all key product categories.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June			
	2014		2013	
	Revenue HK\$'000	Percentage of total revenue %	Revenue HK\$'000	Percentage of total revenue %
Packaging cases	123,856	64.7	129,127	60.3
Bags and pouches	6,182	3.2	9,992	4.7
Display units	51,629	27.0	64,974	30.3
Others	9,681	5.1	10,106	4.7
	191,348	100.0	214,199	100.0

	Six months ended 30 June			
	2014		2013	
	Revenue HK\$'000	Percentage of total revenue %	Revenue HK\$'000	Percentage of total revenue %
Hong Kong and Mainland China	84,713	44.3	103,561	48.4
Europe	52,906	27.7	57,582	26.9
North and South America	29,362	15.3	37,329	17.4
Others	24,367	12.7	15,727	7.3
	191,348	100.0	214,199	100.0

During the period under review, sales of packaging cases were still the major product category and contributed 64.7% of the total revenue (six months ended 30 June 2013: 60.3%). Another product line, display units, contributed 27.0% of the total revenue (six months ended 30 June 2013: 30.3%). Sales of packaging cases and display units had shown a decrease of 4.1% and 20.5%, respectively as compared to the corresponding period of last year, primarily attributable to the decline in market demand for packaging cases and display units in Hong Kong and the American markets. Geographically, Hong Kong and Mainland China, Europe, and North and South America are the major markets of the Group's products. The revenue generated from sales to customers located in Hong Kong and Mainland China and North and South America decreased by HK\$18.8 million and HK\$8.0 million, respectively as compared to the corresponding period of last year.

Gross Profit and Gross Profit Margin

Due to the decrease in revenue during the period, the Group's gross profit was HK\$30.7 million (six months ended 30 June 2013: HK\$34.1 million), representing a decrease of HK\$3.4 million or 9.9% as compared to the corresponding period of last year. The gross profit margin was 16.0% (six months ended 30 June 2013: 15.9%). The gross profit in the first half of 2013 was arrived at after accounting for the one-off settlement payment to employees arising from the cessation of their employment due to the transformation of the Guanlan processing factory. Excluding the above one-off settlement payment, the gross profit margin for the corresponding period in 2013 would have been 17.7%. Under such comparison, the Group's gross profit margin decreased by 1.7% in the first half of 2014, which was mainly attributable to the increase in labour cost.

Operating Expenses

The Group's operating expenses increased by 7.2% to HK\$25.9 million for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$24.2 million). The increase was mainly attributable to the increase in marketing expenses for marketing and promotional events and staff cost.

Other Businesses

Due to the weak consumer demand in kitchenware products, the share of loss from the 30% owned associated company, Technical International Holdings Limited, amounted to HK\$0.9 million (six months ended 30 June 2013: loss of HK\$0.8 million). Based on the historical trend of seasonal patterns, the business is expected to recover in the second half of the year.

Net Profit

For the six months ended 30 June 2014, the profit attributable to owners of the parent decreased by 63.3% to HK\$2.3 million (six months ended 30 June 2013: HK\$6.1 million). The decrease in net profit was primarily due to the decrease in revenue and the increase in labour cost.

Capital Expenditure

For the six months ended 30 June 2014, the Group invested HK\$0.2 million in machinery and equipment.

Liquidity and Financial Resources

The Group's financial position remains sound and healthy. As at 30 June 2014, the Group was debt-free and had net cash balances amounting to HK\$90.4 million (31 December 2013: HK\$88.0 million), which included HK\$3.0 million (31 December 2013: HK\$7.5 million) of time deposits pledged to banks.

Gearing Ratio

Gearing ratio is measured by net bank borrowings (bank borrowings less available bank balances) as a percentage of equity. As the Group had no outstanding bank borrowings as at 30 June 2014 (31 December 2013: Nil), gearing ratio was zero as at 30 June 2014 (31 December 2013: Zero).

Pledged of Assets

As at 30 June 2014, the Group had pledged certain of its leasehold properties and deposits with aggregated amounts of HK\$34.8 million (31 December 2013: HK\$35.2 million) and HK\$3.0 million (31 December 2013: HK\$7.5 million), respectively, to secure general banking facilities granted to its subsidiary and associates, as appropriate.

Contingent Liabilities

As at 30 June 2014, the Group has contingent liabilities in respect of guarantees amounting to HK\$4.5 million (31 December 2013: Nil) given to a financial institution for general banking facilities granted to its associates.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Risk

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no significant investment held as at 30 June 2014, nor other material acquisition and disposal of subsidiaries during the period.

EMPLOYEES

As at 30 June 2014, the Group had a workforce of 71 employees in Hong Kong and 1,180 employees in Mainland China and incurred wages and salaries in the amount of approximately HK\$41.6 million for the period under review. The Group remunerates its staff based on their merit, qualification, competence and prevailing market salaries level. The Group has also established an incentive bonus scheme to reward employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. Other benefits include contributions to the provident fund scheme, mandatory provident fund, and medical insurance.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2012 and raised net proceeds of HK\$20.2 million. As at 30 June 2014, the unused proceeds of HK\$5.9 million were deposited into licensed banks in Hong Kong.

As at 30 June 2014, the net proceeds had been utilised as follows:

	Actual net proceeds HK\$ million	Amount utilised up to 30 June 2014 HK\$ million	Balance as at 30 June 2014 HK\$ million
Acquisition and replacement of machinery and equipment	8.1	4.8	3.3
Explore new business opportunities and enhance market awareness of the Group's products	8.1	7.0	1.1
Enhance the Group's product design and development capability	2.0	0.5	1.5
Working capital and other general corporate purposes	2.0	2.0	–
	20.2	14.3	5.9

PROSPECTS

For the remainder of 2014 the Group foresees a continuous rising trend in workers' salary caused by shortage of skilled labour and increase in the statutory minimum wage in China. Together with surging material costs, this is expected to further erode the profit margin of the Group for the year. The Group will continue to strive hard to minimize the impact of rising costs by trimming production expenses as far as possible, and by developing more new product designs to attract new orders. More semi-automatic procedures in production process will be used to lower the labour pressure, and at the same time, to achieve better standardization of the quality of final products. The Group's customers could enjoy the benefits of more stable deliveries and pricing and, in return, increase their demand in their packaging consumption.

Amidst external pressures and challenges, the Group will diversify its product range by introducing new designs using better quality and environmental compliant materials, and designs targeting different market segments. Based on the long relationship with its customers, the Group will adopt a more aggressive marketing strategy with new and existing customers to supply different and more high end packaging, window display units and sales support accessories.

Looking ahead, the global economic and political conditions still point to a very uncertain future for the packaging business. Though many developed economies are edging towards recovery, the pace is relatively slow and can easily be reversed by changes in economic outlook. Also, should there be an intensification of the political tension that started from events in Eastern Europe, consumer appetite for luxury items might be severely hit, which would result in stagnant demand for the Group's packaging products. Based on the latest orders on hand, it is anticipated that the annual sales revenue for 2014 will be lower than 2013. As mention in the "Business Review" Section, due to the nature of production costs and certain operating expenses, any reduced sales revenue would result in a disproportionate fall in profits. We therefore foresee that there will be a significant decline in profitability for the full year of 2014 as compared with 2013.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2014, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in shares of the Company (long positions)

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

Note: Approximate percentage refers to the number of shares which a director held expressed as a percentage (rounded up to two decimal places) of the issued share capital of the Company as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

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

DISCLOSURE OF INTERESTS

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2014, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Notes:

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

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

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

- Approximate percentage refers to the number of shares which a shareholder held expressed as a percentage (rounded up to two decimal places) of the issued share capital of the Company as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2014, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made of all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014.

APPRECIATION

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

By order of the Board
Lam How Mun Peter
Chairman

Hong Kong, 26 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	4	191,348	214,199
Cost of sales		(160,651)	(180,139)
Gross profit		30,697	34,060
Other income and gains	4	845	2,023
Selling and distribution expenses		(7,128)	(7,087)
Administrative expenses		(18,808)	(17,111)
Other expenses		(388)	(900)
Share of profits and losses of associates		(905)	(775)
PROFIT BEFORE TAX	5	4,313	10,210
Income tax expense	6	(804)	(1,561)
PROFIT FOR THE PERIOD		3,509	8,649
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(97)	41
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,412	8,690
Profit attributable to:			
Owners of the parent		2,257	6,144
Non-controlling interests		1,252	2,505
		3,509	8,649
Total comprehensive income attributable to:			
Owners of the parent		2,160	6,185
Non-controlling interests		1,252	2,505
		3,412	8,690
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	HK1.57 cents	HK4.27 cents

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	117,060	119,461
Prepaid land lease payments		12,739	12,940
Investments in associates		230	1,135
Total non-current assets		130,029	133,536
CURRENT ASSETS			
Prepaid land lease payments		402	402
Inventories		37,873	41,586
Trade and bills receivables	10	57,013	53,295
Prepayments, deposits and other receivables		11,118	4,110
Tax recoverable		–	186
Pledged deposits		3,018	7,542
Cash and cash equivalents		87,378	80,502
Total current assets		196,802	187,623
CURRENT LIABILITIES			
Trade and bills payables	11	38,530	31,931
Other payables and accruals		20,211	25,168
Tax payable		1,012	404
Total current liabilities		59,753	57,503
NET CURRENT ASSETS		137,049	130,120
TOTAL ASSETS LESS CURRENT LIABILITIES		267,078	263,656
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,532	1,522
Net assets		265,546	262,134
EQUITY			
Equity attributable to owners of the parent			
Issued capital	12	14,377	14,377
Reserves		248,984	246,824
Non-controlling interests		263,361	261,201
		2,185	933
Total equity		265,546	262,134

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent								Total equity (Unaudited) HK\$'000		
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000			
	At 1 January 2013	14,377	18,733	45,291	(12,861)	–	182,167	247,707		1,601	249,308
	Profit for the period	–	–	–	–	–	6,144	6,144		2,505	8,649
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	41	–	41	–	41		
Total comprehensive income for the period	–	–	–	–	41	6,144	6,185	2,505	8,690		
Dividend paid to a non-controlling shareholder	–	–	–	–	–	–	–	(1,960)	(1,960)		
At 30 June 2013	14,377	18,733	45,291	(12,861)	41	188,311	253,892	2,146	256,038		
At 1 January 2014	14,377	18,733	45,291	(12,861)	59	195,602	261,201	933	262,134		
Profit for the period	–	–	–	–	–	2,257	2,257	1,252	3,509		
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	(97)	–	(97)	–	(97)		
Total comprehensive income for the period	–	–	–	–	(97)	2,257	2,160	1,252	3,412		
At 30 June 2014	14,377	18,733*	45,291*	(12,861)*	(38)*	197,859*	263,361	2,185	265,546		

* These reserve accounts comprise the consolidated reserves of HK\$248,984,000 (31 December 2013: HK\$246,824,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash flows from operating activities		2,553	14,581
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	9	(173)	(1,024)
Proceeds from disposal of items of property, plant and equipment		40	29
Decrease/(increase) in pledged time deposits		4,524	(12)
Net cash flows from/(used in) investing activities		4,391	(1,007)
CASH FLOWS FROM A FINANCING ACTIVITY			
Dividend paid to a non-controlling shareholder		–	(1,960)
Net cash flows used in a financing activity		–	(1,960)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		80,502	74,004
Effect of foreign exchange rate changes, net		(68)	41
CASH AND CASH EQUIVALENTS AT END OF PERIOD		87,378	85,659

1. CORPORATE INFORMATION

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

2.1 BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the new and revised HKFRSs as disclosed in note 2.2 below.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments HKAS 32 Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 39 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HK(IFRIC)-Int 21	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i> <i>Levies</i>

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

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

3. OPERATING SEGMENT INFORMATION

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

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong and Mainland China	84,713	103,561
Europe	52,906	57,582
North and South America	29,362	37,329
Others	24,367	15,727
	191,348	214,199

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Hong Kong	66,486	68,554
Mainland China	63,543	64,982
	130,029	133,536

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

Information about a major customer

Revenue of approximately HK\$52,943,000 (six months ended 30 June 2013: HK\$78,609,000) was derived from sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units to a single customer, which accounted for more than 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Bank interest income	53	69
Sale of scrap materials	199	233
Gain on disposal of items of property, plant and equipment	40	15
Gross rental income	480	480
Fair value gain on a derivative financial instrument	–	875
Others	73	351
	845	2,023

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5. PROFIT BEFORE TAX

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

	Six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation	2,574	2,495
Amortisation of prepaid land lease payments	201	201
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	41,625	47,459
Pension scheme contributions	5,181	5,859
	46,806	53,318
Foreign exchange differences, net	(316)*	900*
Write-back of impairment of trade receivables	–	(17)
Fair value loss/(gain) on a derivative financial instrument	704*	(875)

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China.

	Six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current charge for the period		
Hong Kong	744	1,514
Mainland China	50	–
Deferred	10	47
Total tax charge for the period	804	1,561

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

The calculation of the basic earnings per share amount for the six months ended 30 June 2014 is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$2,257,000 (six months ended 30 June 2013: HK\$6,144,000), and the weighted average number of ordinary shares of 143,765,993 (six months ended 30 June 2013: 143,765,993) in issue during the period.

The Group had no potentially dilutive ordinary share in issue during the six months ended 30 June 2014 and 2013.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group incurred HK\$173,000 (six months ended 30 June 2013: HK\$1,024,000) on the acquisition of items of property, plant and equipment.

10. TRADE AND BILLS RECEIVABLES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade and bills receivables	57,352	53,634
Impairment	(339)	(339)
	57,013	53,295

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

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10. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 1 month	37,128	27,380
1 to 2 months	11,124	17,870
2 to 3 months	6,977	6,026
Over 3 months	1,784	2,019
	57,013	53,295

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Neither past due nor impaired	40,892	36,828
Less than 1 month past due	12,980	12,610
Over 1 month past due	3,141	3,761
	57,013	53,199

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

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

11. TRADE AND BILLS PAYABLES

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 1 month	31,953	25,170
1 to 2 months	6,434	6,203
2 to 3 months	94	524
Over 3 months	49	34
	38,530	31,931

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

12. SHARE CAPITAL

Shares

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Authorised:		
1,000,000,000 (31 December 2013: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
143,765,993 (31 December 2013: 143,765,993) ordinary shares of HK\$0.10 each	14,377	14,377

13. SHARE OPTION SCHEME

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

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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13. SHARE OPTION SCHEME *(Continued)*

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

14. PLEDGE OF ASSETS

At 30 June 2014, the Group pledged certain of its land and buildings with an aggregate carrying amount of HK\$34,797,000 (31 December 2013: HK\$35,240,000) as securities for general banking facilities granted to the Group.

At 30 June 2014, the Group pledged deposits with an aggregate carrying amount of HK\$3,018,000 (31 December 2013: HK\$7,542,000) as a security for general banking facilities granted to the Group's associates.

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At the end of the reporting period, the Group had total future minimum lease receivable under a non-cancellable operating lease with its tenant falling due as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	960	960
In the second to fifth years, inclusive	28	508
	988	1,468

15. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

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

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	350	173

16. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the unaudited interim condensed consolidated financial statements were as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Guarantees given to a financial institution in connection with facilities granted to its associates	4,500	–

17. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into a transaction with a related party as follows:

	Note	Six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Rental income earned from an entity which is under common control of a controlling shareholder of the Company	(i)	480	480

Note:

- (i) The rental income received from an entity which is under common control of a controlling shareholder of the Company was mutually agreed between the Company and the related party.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

17. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Commitment with a related party

On 20 June 2012, a subsidiary of the Group entered into a three-year agreement ending 11 July 2015 with C C Land Management Limited, a company of which is under common control of a controlling shareholder of the Company, to lease office premises in Hong Kong. The amount of rental income is included in note 17(a)(i) to these unaudited interim condensed consolidated financial statements. The amount of an operating lease commitment as a lessor is included in note 15(a) to these unaudited interim condensed consolidated financial statements.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term employee benefits	1,871	1,665

18. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial assets and liabilities of the Group as at 30 June 2014 and 31 December 2013 are loans and receivables, and financial liabilities at amortised cost, respectively.

The carrying amounts of all financial instruments approximate to their fair values due to the short term maturities of these instruments.

19. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements was approved and authorised for issue by the board of directors on 26 August 2014.