



QUALIPAK INTERNATIONAL HOLDINGS LIMITED

(確利達國際控股有限公司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1224)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors of Qualipak International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 together with comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

		1.1.2006 to 30.6.2006 <i>HK\$'000</i> <i>(Unaudited)</i>	1.1.2005 to 30.6.2005 <i>HK\$'000</i> <i>(Unaudited)</i>
	<i>NOTES</i>		
Turnover	3	391,558	128,374
Cost of sales		<u>(326,353)</u>	<u>(102,334)</u>
Gross profit		65,205	26,040
Other income		1,541	964
Net investment income		10,781	3,024
Gain on disposal of a subsidiary		3,082	—
Change in fair value of investment property		1,330	—
(Allowance) reversal of allowance for bad and doubtful debts		(2,341)	5,063
Distribution costs		(8,585)	(4,302)
Administrative expenses		(24,216)	(13,173)
Share of results of associates		(1,812)	305
Finance costs		<u>(1,326)</u>	<u>—</u>
Profit before taxation		43,659	17,921
Taxation	5	<u>(6,811)</u>	<u>(773)</u>
Profit for the period		<u><u>36,848</u></u>	<u><u>17,148</u></u>

Attributable to:			
Equity holders of the parent		37,518	17,148
Minority interests		(670)	—
		<u>36,848</u>	<u>17,148</u>
Dividend paid	6	<u>23,637</u>	<u>15,758</u>
Earnings per share — Basic	7	<u>0.95 cent</u>	<u>0.44 cent</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2006

	<i>NOTES</i>	30.6.2006 <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2005 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	8	160,243	161,934
Prepaid lease payments		24,895	25,213
Investment property		—	44,670
Interests in associates		31,846	38,455
Goodwill		34,553	34,553
Convertible bond/note — loan portion		30,577	14,441
		<u>282,114</u>	<u>319,266</u>
Current assets			
Inventories		83,888	86,014
Trade and other receivables	9	139,854	103,333
Prepaid lease payments		636	636
Investments held for trading		91,035	50,211
Conversion option derivative		3,125	226
Loan to an associate		3,000	3,000
Taxation recoverable		294	294
Deposits with brokerage companies		728	33,636
Pledged bank deposits		3,000	2,000
Short-term bank deposits		155,785	146,413
Bank balances and cash		42,181	13,636
		<u>523,526</u>	<u>439,399</u>

Current liabilities			
Trade and other payables	10	136,659	130,329
Consideration payable on acquisition of associates		2,885	—
Consideration payable on acquisition of subsidiaries		4,863	—
Loan from minority shareholders of a subsidiary		8,000	8,000
Taxation payable		18,079	11,310
Bank borrowings		35,899	15,448
		<u>206,385</u>	<u>165,087</u>
Net current assets		<u>317,141</u>	<u>274,312</u>
Total assets less current liabilities		<u>599,255</u>	<u>593,578</u>
Non-current liabilities			
Consideration payable on acquisition of associates		—	2,790
Consideration payable on acquisition of subsidiaries		—	4,657
Deferred taxation		2,663	2,750
		<u>2,663</u>	<u>10,197</u>
Net assets		<u>596,592</u>	<u>583,381</u>
Capital and reserves			
Share capital		39,395	39,395
Reserves		554,215	540,334
Equity attributable to equity holders of the parent		593,610	579,729
Minority interests		2,982	3,652
Total equity		<u>596,592</u>	<u>583,381</u>

NOTES:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis except for certain financial instruments and investment property, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning either on or after 1 December 2005 or 1 January 2006. The application of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

3. TURNOVER

Turnover represents the amounts received and receivable in respect of sales of goods, less returns and discounts, to outside parties, net proceeds of trading in securities and investment income during the period.

An analysis of the Group's turnover is as follows:

	1.1.2006 to 30.6.2006 HK\$'000	1.1.2005 to 30.6.2005 HK\$'000
Sales of goods	373,577	129,417
Realised gain on disposal of trading in securities	17,229⁽¹⁾	(2,029) ⁽²⁾
Investment income	752⁽³⁾	986
	<u>391,558</u>	<u>128,374</u>

Notes:

- (1) The amount represented the gain on derecognition of one of the Group's investments held for trading during the six months ended 30 June 2006 as a result of conversion of the Group's listed securities into the convertible bond of another listed company.
- (2) The amount was derived from after taking into account of the gross proceeds from trading in securities amounted to approximately HK\$25,783,000 for the six months ended 30 June 2005.
- (3) The amount included interest income from convertible bond/note of approximately HK\$79,000 (1.1.2005 to 30.6.2005: HK\$159,000) for the six months ended 30 June 2006.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions — sales of packaging products, sales of travel bags and treasury investment. These divisions are the basis on which the Group reports its primary segment information.

The principal activities are as follows:

- Sales of packaging products — Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches and display units
- Sales of travel bags — Manufacture and trading of soft luggages, travel bags, backpacks and brief cases
- Treasury investment — Investments in securities, convertible notes and convertible bonds

Segment information about these businesses is presented below:

	Sales of packaging products <i>HK\$'000</i>	Sales of travel bags <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2006				
Turnover	<u>151,900</u>	<u>221,677</u>	<u>17,981</u>	<u>391,558</u>
Result				
Segment result	<u>18,893</u>	<u>1,113</u>	<u>23,856</u>	43,862
Unallocated corporate expenses				(5,757)
Unallocated corporate income				4,280
Gain on disposal of a subsidiary				3,082
Change in fair value of investment property				1,330
Share of results of associates				(1,812)
Finance costs				<u>(1,326)</u>
Profit before taxation				43,659
Taxation				<u>(6,811)</u>
Profit for the period				<u>36,848</u>

	Sales of packaging products <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2005			
Turnover	<u>129,417</u>	<u>(1,043)</u>	<u>128,374</u>
Result			
Segment result	<u>20,508</u>	<u>(1,358)</u>	19,150
Unallocated corporate expenses			(4,424)
Unallocated corporate income			2,890
Share of results of associates			<u>305</u>
Profit before taxation			17,921
Taxation			<u>(773)</u>
Profit for the period			<u>17,148</u>

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover	
	1.1.2006	1.1.2005
	to	to
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Europe	109,378	48,521
North and South America	192,663	36,784
Hong Kong	64,668	35,134
Others	24,849	7,935
	<u>391,558</u>	<u>128,374</u>

5. TAXATION

	1.1.2006	1.1.2005
	to	to
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000

The charge comprises:

Hong Kong Profits Tax	(6,811)	(1,497)
Deferred tax credit	—	724
	<hr/>	<hr/>
Taxation for the period	(6,811)	(773)
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

6. DIVIDEND PAID

During the period, a final dividend of HK\$0.0060 per share for 2005, amounting to approximately HK\$23,637,000 (2005: HK\$0.0040 per share for 2004, amounting to approximately HK\$15,758,000) was paid to the shareholders. The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2006.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent at approximately HK\$37,518,000 (1.1.2005 to 30.6.2005: HK\$17,148,000) and on 3,939,536,870 shares in issue during both periods.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3,385,000 (1.1.2005 to 30.6.2005: HK\$38,065,000) on the acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$132,533,000 (31.12.2005: HK\$94,538,000). The aged analysis of trade receivables at the reporting date is as follows:

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
0 to 30 days	88,132	65,204
31 to 60 days	26,628	19,844
Over 60 days	17,773	9,490
	<hr/>	<hr/>
	132,533	94,538
	<hr/> <hr/>	<hr/> <hr/>

The Group allows an average credit period of 60 days to its trade customers.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$109,926,000 (31.12.2005: HK\$100,079,000). The aged analysis of trade payables at the reporting date is as follows:

	30.6.2006	31.12.2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	52,309	47,242
31 to 60 days	35,517	30,347
Over 60 days	22,100	22,490
	<hr/> 109,926 <hr/>	<hr/> 100,079 <hr/>

11. POST BALANCE SHEET EVENT

Subsequent to 30 June 2006, the Group entered into a sale and purchase agreement with an independent third party on 15 August 2006 to acquire a property at a cash consideration of approximately HK\$33,985,000.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the principal activities of the Group are the manufacturing and trading of watches boxes, gift boxes, spectacles cases, bags and pouches; the design, manufacture and sale of soft luggage, travel bags, backpacks and brief cases; and the treasury investment activities. Revenue for the Group increased by 205.0% to HK\$391.6 million (six months ended 30 June 2005: HK\$128.4 million) and profit attributable to shareholders of HK\$37.5 million (six months ended 30 June 2005: HK\$17.1 million). The increase in profits included a gain of HK\$17.2 million in respect of a convertible bond held for investment purpose. Earnings per share for the period increased by 115.9% to HK\$0.95 cent comparing to HK\$0.44 cent for the six months ended 30 June 2005. The substantial increase in revenue was mainly due to the contribution from the luggage products business acquired in July last year where there was no comparable revenue in the corresponding period, and 17.4% growth over the corresponding period of the packaging business in the six months ended 30 June 2006.

Currently, the Group's profits mainly came from three core businesses, comprising approximately 43.1% from packaging products, 2.5% from luggage products, and 54.4% from treasury investment.

Packaging business

Turnover of the packaging business during the period under review rose by 17.3% to HK\$151.9 million (six months ended 30 June 2005: HK\$129.4 million) and a segment profit of about HK\$18.9 million (six months ended 30 June 2005: HK\$20.5 million) was recorded for this period. Sales to Europe contributed 38.7% to the packaging business revenue while sales to America reduce by 5.3% to 23.3%. The remaining contributions were mainly from the sales in Hong Kong and the Asia Pacific market segments. The continued fluctuations in raw material prices and the increasing labour costs dented the gross margin which was partially offset by mild increases in the average selling price. Accordingly, the Group's packaging business was able to achieve satisfactory results even under such a challenging operating environment.

Luggage business

Turnover of the luggage business during the period rose to HK\$221.7 million and a segment profit of about HK\$1.1 million was recorded for this period. Sales to America and Europe accounted for 70.9% and 22.8% respectively. After our acquisition in July last year, substantial efforts by the management were undertaken to increase productivity, and to streamline operations and tighten cost control, resulting in higher profit margin achieved during the recent period.

Other businesses

Treasury investments achieved a profit of HK\$23.9 million (six months ended 30 June 2005: a loss of HK\$1.4 million).

Following the acquisition in June 2005 of an associated company which is principally engaged in the manufacturing of wine openers and related bar accessories, the share of losses from this 30% owned company amounted to HK\$1.8 million during the period after writing off HK\$1.9 million cost of goodwill impairment (six months ended 30 June 2005: a profit of HK\$0.3 million). This is in accordance with the seasonal trade nature of the business, which typically achieves a much higher turnover and profits in the second half year.

On 5 June 2006, the disposal of an office premise situated at 30th floor of China United Centre to an independent third party at HK\$49 million was completed. Details of the disposal were disclosed in the Company's circular dated 19 April 2006.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continues to adopt prudent funding and treasury policies. The shareholders' funds as at 30 June 2006 were HK\$594 million (31 December 2005: HK\$580 million). As at 30 June 2006, the Group had cash on hand amounting to HK\$201.7 million (31 December 2005: HK\$195.7 million), and bank borrowings of HK\$35.9 million (31 December 2005: HK\$15.4 million), including approximately HK\$2.4 million bearing interest at fixed rates while approximately HK\$33.5 million at floating rates. The gearing ratio (total borrowings to shareholders' equity) was 6.0% (31 December 2005: 2.6%).

Working Capital

Working capital increased by HK\$42.8 million or 15.6% to HK\$317.1 million as at 30 June 2006 (31 December 2005: HK\$274.3 million) mainly due to the disposal of an investment property in the period.

Investments

At 30 June 2006, the Group held a portfolio of Hong Kong listed securities with a market value of HK\$91 million and a convertible bond valued at HK\$33.7 million. The dividend, interest and other income from these investments for the period was HK\$0.7 million (six months ended 30 June 2005: HK\$0.9 million). The unrealized holding gain on listed securities reflected in the current period amounted to HK\$5.2 million (six months ended 30 June 2005: HK\$1.1 million).

Capital Expenditure

During the period, the Group invested HK\$3.4 million in plant, machinery, equipment and other tangible assets. All these capital expenditure were financed from internal resources.

Exposure to Fluctuation in Exchange Rate

Sales and purchase transactions, and the bank borrowings of the Group are primarily denominated in United States Dollars and/or Hong Kong Dollars, whereas bank deposits are maintained in Hong Kong dollars and US dollars, therefore the exposure to foreign exchange risk is minimal.

Contingent Liabilities

At 30 June 2006, the Company had contingent liabilities in respect of guarantees amounting to HK\$44.3 million and HK\$12.0 million, respectively, given to banks for general banking facilities granted to subsidiaries and an associated company. At 30 June 2006, one of our subsidiaries had utilized banking facilities to the extent of HK\$35.9 million. As at 30 June 2006, the Group had no other material contingencies.

Pledge of Assets

At 30 June 2006, the Group has pledged its leasehold properties with an aggregated carrying value of approximately HK\$6.3 million; a piece of land where a subsidiary's production facility is located of approximately HK\$2.9 million; and a fixed deposit of approximately HK\$3.0 million, as security for general banking facilities granted to the Group.

Employees

At 30 June 2006, the Group had approximately 6,310 employees. The Group remunerates its staff based on their merit, qualification and competence. The Group has also established an incentive bonus scheme. In general, salary review is conducted annually. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors.

Share Option Scheme

The Company adopted the existing share option scheme on 29 April 2005. During the six months ended 30 June 2006, no options were granted, exercised, cancelled or lapsed under the scheme, nor was there any outstanding options at the beginning or at the end of the period.

Post Balance Sheet Event

Subsequent to 30 June 2006, a wholly-owned subsidiary of the Company has entered into an agreement with an independent third party to purchase a property at a cash consideration of approximately HK\$33,985,000, which will be financed from internal resources. This property is intended for the Group's own use.

PROSPECTS

Economies in America and Europe continued to grow although rising short-term interest rates and high oil prices may restrain consumer spending. We expect our businesses to be expanding in the coming years. Our focus will remain on increasing productivity, and exercising effective cost control to soften part of the negative impact from the fluctuation in raw material prices and upward revaluation of the Renminbi.

Given the Group's operational efficiency and stable customer base, we expect continued growth in the packaging business. Given growth in the tourism industry, efficient operations and good customer relationships, we expect the profitability of the luggage business will also improve in the coming year.

Likewise, we expect growth in the associated company which has been rapidly gaining reputation as one of the key players in the manufacturing of wine openers and related bar accessories. It is also branching into the digital electronic home appliances sector.

Looking ahead, we believe the Group is well prepared to meet the competition in our existing businesses. The management has been continuing to seek further investment or acquisition opportunities and to consolidate our existing operations and add new product categories, and in turn, to achieve solid returns for our shareholders.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Appendix 14 Code on Corporate Governance Practices (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2006, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Dr. Lam How Mun Peter assumes the roles of both Chairman and Managing Director of the Company, and is in charge of the overall management of the Company. The Company considers that the combination of the roles of chairman and chief executive officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject for re-election. None of the existing non-executive directors are appointed for a specific term. However, all the non-executive directors shall be subject to retirement by rotation at the annual general meetings pursuant to the Company's Bye-laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the rotation of directors at the annual general meeting held on 29 May 2006 was in accordance with the Company's previous Bye-laws which stipulated that at each annual general meeting not exceeding one-third of the directors for the time being shall retire from office by rotation provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. To fully comply with this Code Provision, a special resolution was passed at the same annual general meeting to amend the Company's Bye-laws and that every directors (including the chairman and managing director) shall be subject to retirement by rotation at least once every three years and all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.

Following the resignation of Mr. Lam Ping Cheung on 22 June 2006 as independent non-executive director, audit committee member and remuneration committee member of the Company, the number of independent non-executive directors and of audit committee members fell below the minimum number required under the Listing Rules, and a majority of the members of the Remuneration Committee was temporarily not formed by independent non-executive directors. The Board shall appoint an independent non-executive director, audit committee member and remuneration committee member of the Company within three months from the date of his resignation pursuant to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee currently comprises two independent non-executive directors and its terms of reference which clearly set out the authorities and duties of the Audit Committee have been posted on the Company's website. The Audit Committee has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2006.

The interim financial statements for the six months ended 30 June 2006 have not been audited but have been reviewed by the Company's external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2006.

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Lam How Mun Peter
Chairman and Managing Director

Hong Kong, 12 September 2006

As at the date of announcement, the Board comprises Dr. Lam How Mun Peter, Mr. Cheung Chung Kiu, Mr. Lam Hiu Lo, Mr. Leung Chun Cheong, Mr. Leung Wai Fai, Ms. Poon Ho Yee Agnes and Mr. Wu Hong Cho as Executive Directors and Mr. Lam Kin Fung Jeffrey and Mr. Wong Wai Kwong David as Independent Non-executive Directors.

** For identification purposes only*