# News Release

30 March 2011

## AMVIG Holdings Limited

AMVIG Holdings Limited today released its full results for the year ended December 31, 2010.

Full details are contained in the AMVIG Holdings Limited announcement to the Hong Kong Stock Exchange (a copy of which is attached to this release).

This release is provided for information purposes.

**ENDS**

Amcor Limited
109 Burwood Road Hawthorn VIC 3122 Australia T +61 3 9226 9000 F +61 3 9226 9050 www.amcor.com
ABN 62 000 017 372

AMVIG HOLDINGS LIMITED
澳 科 控 股 有 限 公 司 *

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2300)**

# RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

**FINANCIAL HIGHLIGHTS**

- Profit attributable to owners of the Company increased by 56% to HK$571 million despite the decrease in turnover and gross profit by 11% and 10% respectively, mainly due to the divestment of Brilliant Circle Group
- Gross profit margin improved from 34.9% to 35.3%
- Underlying profit increased by 43% to HK$522 million, excluding non-operating income of HK$49 million
- Basic earnings per share increased by 80% to HK60.2 cents
- Proposed final dividend HK11.4 cents per share

## RESULTS

The board (the "**Board**") of directors (the "**Directors**") of AMVIG Holdings Limited (the "**Company**" or "**AMVIG**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2010 (the "**Reporting Period**"), together with the comparative results for the previous year as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

| | Note | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| **Turnover** | *3* | **2,651,161** | 2,975,185 |
| Cost of goods sold | | **(1,715,116)** | (1,936,916) |
| **Gross profit** | | **936,045** | 1,038,269 |
| Other income | *4* | **36,184** | 32,950 |
| Selling and distribution costs | | **(87,087)** | (145,128) |
| Administrative expenses | | **(199,674)** | (250,608) |
| Other operating expenses | | **(8,062)** | (15,335) |
| Non-operating items | *5* | **49,419** | – |
| Finance costs | | **(34,860)** | (52,909) |
| Share of profit of associates | | **85,420** | 80,608 |
| **Profit before tax** | *6* | **777,385** | 687,847 |
| Income tax expenses | *7* | **(176,632)** | (133,010) |
| **Profit for the year** | | **600,753** | 554,837 |
| **Attributable to:** | | | |
| — Owners of the Company | | **570,914** | 365,119 |
| — Non-controlling interests | | **29,839** | 189,718 |
| **Earnings per share** | | | |
| — basic (HK cents) | *8* | **60.2** | 33.5 |
| — diluted (HK cents) | *8* | **N/A** | N/A |
| **Dividends** | *9* | **208,631** | 145,857 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

| | Note | 2010 *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| **Profit for the year** | | **600,753** | 554,837 |
| **Other comprehensive income:** | | | |
| Exchange gain/(loss) on translating foreign operations | | **164,845** | (26,118) |
| Reversal of exchange gain from foreign currency translation reserve account to profit or loss on the disposal of Aavailable-for-sale financial assets | | **(133,514)** | – |
| Gain on cash flow hedges | | **4,319** | 57,741 |
| **Other comprehensive income for the year, net of tax** | *10* | **35,650** | 31,623 |
| **Total comprehensive income for the year** | | **636,403** | 586,460 |
| **Attributable to:** | | | |
| Owners of the Company | | **600,135** | 394,955 |
| Non-controlling interests | | **36,268** | 191,505 |
| | | **636,403** | 586,460 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **711,229** | 758,194 |
| Prepaid land lease payments | | **22,567** | 22,416 |
| Goodwill | | **2,538,229** | 2,445,025 |
| Interests in associates | | **117,615** | 73,244 |
| Loan receivables | | **308,536** | 316,137 |
| Available-for-sale financial assets | | **1,631** | 1,571 |
| Other assets | | **71,036** | 86,099 |
| | | **3,770,843** | 3,702,686 |
| **Current assets** | | | |
| Inventories | | **359,984** | 289,293 |
| Trade and other receivables | *11* | **781,690** | 563,593 |
| Prepaid land lease payments | | **697** | 672 |
| Prepayments and deposits | | **57,771** | 57,404 |
| Available-for-sale financial assets | | **–** | 2,278,696 |
| Pledged bank deposits | | **15,863** | 12,769 |
| Bank and cash balances | | **997,278** | 1,059,210 |
| | | **2,213,283** | 4,261,637 |
| **Total assets** | | **5,984,126** | 7,964,323 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | **9,231** | 10,900 |
| Reserves | | **3,829,656** | 5,612,599 |
| Equity attributable to owners of the Company | | **3,838,887** | 5,623,499 |
| Non-controlling interests | | **179,228** | 162,163 |
| **Total equity** | | **4,018,115** | 5,785,662 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | | **578,467** | 695,507 |
| Other long-term payables | | **235,082** | – |
| Deferred tax liabilities | | **61,833** | 65,308 |
| | | **875,382** | 760,815 |

| | Note | **2010** | 2009 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **1,046,400** | 958,501 |
| Current tax liabilities | | **44,111** | 18,038 |
| Current portion of bank borrowings | | **118** | 408,298 |
| Other financial liabilities | | **–** | 33,009 |
| | | **1,090,629** | 1,417,846 |
| **Total liabilities** | | **1,966,011** | 2,178,661 |
| **Total equity and liabilities** | | **5,984,126** | 7,964,323 |
| **Net current assets** | | **1,122,654** | 2,843,791 |
| **Total assets less current liabilities** | | **4,893,497** | 6,546,477 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments, which are revalued at fair value.

## 3. TURNOVER AND SEGMENT INFORMATION

The Group has two reportable segments under HKFRS 8 as follows:

– Printing of cigarette packages
– Manufacturing of transfer paper and laser film

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those of the Group.

Segment profits or losses do not include corporate administrative expenses. Segment assets do not include goodwill, loan receivables, available-for-sale financial assets, other financial assets, prepayments and deposits and other receivables for general administrative use. Segment liabilities do not include other financial liabilities, other payables and accruals for general administrative use.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit, assets and liabilities:

| | Printing of cigarette packages 2010 *HK$'000* | Printing of cigarette packages 2009 *HK$'000* | Manufacturing of transfer paper and laser film 2010 *HK$'000* | Manufacturing of transfer paper and laser film 2009 *HK$'000* | Total 2010 *HK$'000* | Total 2009 *HK$'000* |
|---|---|---|---|---|---|---|
| **Year ended 31 December** | | | | | | |
| Revenue from external customers | **2,572,372** | 2,830,383 | **78,789** | 144,802 | **2,651,161** | 2,975,185 |
| Inter-segment revenue | **–** | 239,560 | **66,598** | 118,532 | **66,598** | 358,092 |
| Segment profit | **710,761** | 664,609 | **1,988** | 13,499 | **712,749** | 678,108 |
| Interest income | **10,985** | 10,668 | **1,740** | 867 | **12,725** | 11,535 |
| Interest expenses | **(217)** | (12,904) | **–** | (274) | **(217)** | (13,178) |
| Depreciation and amortisation | **(70,321)** | (96,127) | **(19,724)** | (19,743) | **(90,045)** | (115,870) |
| Share of profit of associates | **85,420** | 80,608 | **–** | – | **85,420** | 80,608 |
| Income tax expenses | **(142,495)** | (92,915) | **(685)** | (1,794) | **(143,180)** | (94,709) |
| Additions to segment non-current assets | **52,186** | 67,697 | **259** | 4,837 | **52,445** | 72,534 |
| **As at 31 December** | | | | | | |
| Segment assets | **2,233,608** | 2,038,076 | **318,224** | 498,573 | **2,551,832** | 2,536,649 |
| Segment liabilities | **(741,851)** | (533,062) | **(77,396)** | (51,082) | **(819,247)** | (584,144) |
| Interests in associates | **117,615** | 73,244 | **–** | – | **117,615** | 73,244 |

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Total revenue of reportable segments | **2,717,759** | 3,333,277 |
| Elimination of inter-segment revenue | **(66,598)** | (358,092) |
| Consolidated revenue | **2,651,161** | 2,975,185 |
| **Profit or loss** | | |
| Total profit or loss of reportable segments | **712,749** | 678,108 |
| Other profit or loss | **(111,996)** | (123,271) |
| Consolidated profit for the year | **600,753** | 554,837 |
| **Assets** | | |
| Total assets of reportable segments | **2,551,832** | 2,536,649 |
| Goodwill | **2,538,229** | 2,445,025 |
| Loan receivables | **308,536** | 316,137 |
| Available-for-sale financial assets | **1,631** | 2,280,267 |
| Other assets | **583,898** | 386,245 |
| Consolidated total assets | **5,984,126** | 7,964,323 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **(819,247)** | (584,144) |
| Other financial liabilities | **–** | (33,009) |
| Other liabilities | **(1,146,764)** | (1,561,508) |
| Consolidated total liabilities | **(1,966,011)** | (2,178,661) |

Geographical information:

Over 90% of the Group's revenue and assets are derived from customers and operations based in the People's Republic of China ("PRC") and accordingly, no further analysis of the Group's geographical information is disclosed.

Revenue from major customers:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Printing of cigarette packages | | |
| Customer A | **975,057** | 878,960 |
| Customer B | **535,353** | 448,316 |
| Customer C | **479,190** | 431,837 |
| Customer D | **300,316** | 269,167 |
| Customer E | **–** | 270,209 |

## 4. OTHER INCOME

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gain on sales of scrapped materials | **8,102** | 7,215 |
| Gain on disposals of financial assets at fair value through profit or loss | **–** | 251 |
| Interest income | **14,296** | 13,641 |
| Compensation received | **298** | 282 |
| Government grants received | | |
| – Unconditional grants relating to expenses item | **3,822** | 4,900 |
| Exchange gain | **7,083** | – |
| Sundry income | **2,583** | 6,661 |
| | **36,184** | 32,950 |

## 5. NON-OPERATING ITEMS

| | | **2010** | 2009 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* |
| Gain on disposal of available-for-sale financial assets | *(a)* | **99,617** | – |
| Notional interests on other payables | *(b)* | **(18,102)** | – |
| Others | | **(32,096)** | – |
| | | **49,419** | – |

*Notes:*

(a) In February 2010, the Group completed the disposal of the entire equity interests of Brilliant Circle International Holdings Limited ("Brilliant Circle") and all debts (the "Debts") owing or incurred by Brilliant Circle (together with its subsidiaries and associated company, the "Brilliant Circle Group") to the Group ("the Disposal").

Brilliant Circle Group had been presented as available-for-sale financial assets as at 31 December 2009. The consideration of the Disposal was satisfied by cash of approximately HK$880 million and by transferring 166,814,000 shares of the Company held by Mr. Tsoi Tak ("Mr. Tsoi"), a director and original owner of the Brilliant Circle Group. The gain on disposal of available-for-sale financial assets represented the difference between the sales proceeds and the carrying amount of available-for-sale financial assets together with any related accumulated foreign currency translation reserve and the Debts, net of transaction costs incurred for the Disposal.

(b) On 22 December 2009, World Grand Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Dragon Hill Group Limited for the acquisition of the remaining 45% equity interests in Famous Plus Group Limited ("Famous Plus"), a subsidiary of the Company, at a consideration of RMB670 million. The consideration will be satisfied by cash on instalment basis up until 31 December 2012. After completion of the acquisition in February 2010, Famous Plus became a wholly-owned subsidiary of the Group.

The amount represents the difference between the deferred components of the consideration together with the transaction costs, measured at amortised cost and the face value of the other long-term payables.

## 6. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging the following items:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **1,715,116** | 1,936,916 |
| Depreciation | **92,533** | 120,484 |
| Loss on disposals of property, plant and equipment | **2,953** | 1,002 |
| Operating lease rentals in respect of land, buildings and equipment | **28,543** | 32,590 |
| Staff costs including Directors' emoluments | **241,649** | 245,001 |
| Research and development costs | **111** | 2,589 |

## 7. INCOME TAX EXPENSES

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PRC corporate income tax | | |
| – Current | **145,067** | 95,734 |
| – (Over)/under provision in prior year | **(215)** | 2,539 |
| Withholding tax | **34,076** | 36,859 |
| Other deferred tax | **(2,296)** | (2,122) |
| | **176,632** | 133,010 |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years.

The relevant tax rates for the Group's PRC subsidiaries before the tax holiday range from 15% to 25% (2009: 15% to 25%).

## 8. EARNINGS PER SHARE

Basic earnings per share is calculated based on the Group's profit attributable to the owners of the Company for the year of approximately HK$570,914,000 (2009: HK$365,119,000) and the weighted average number of shares of approximately 948,740,000 ordinary shares in issue during the year (2009: 1,089,961,000 shares).

No diluted earnings per share are presented as the Company did not have any potentially diluted ordinary shares for the years ended 31 December 2010 and 2009.

## 9. DIVIDENDS

The dividends paid during the year ended 31 December 2010 were approximately HK$145,857,000 being final dividend of HK15.8 cents per share for year 2009 and approximately HK$103,392,000 being interim dividend of HK11.2 cents per share for year 2010. The dividends paid during the year ended 31 December 2009 were approximately HK$46,868,000 being final dividend of HK4.3 cents per share for year 2008. A final dividend of HK11.4 cents per share in respect of 2010, amounted to approximately HK$105,239,000 is proposed by the Board subject to approval by the shareholders at the forthcoming Annual General Meeting. The proposed final dividends are not recognised as liabilities at 31 December 2010.

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend paid of HK11.2 cents (2009: Nil) per share | **103,392** | – |
| Proposed final dividend of HK11.4 cents (2009: HK15.8 cents) per share | **105,239** | 145,857 |
| | **208,631** | 145,857 |

## 10. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income for the year:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Exchange gain/(loss) on translating foreign operations | | **164,845** | | (26,118) |
| Reversal of exchange gain from foreign currency translation reserve account to profit or loss on the disposal of available-for-sale financial assets | | **(133,514)** | | – |
| Cash flow hedges: | | | | |
| Gain arising during the year | **498** | | 47,789 | |
| Add: Reclassification adjustments for profits included in profit or loss | **3,821** | **4,319** | 9,952 | 57,741 |
| Other comprehensive income for the year | | **35,650** | | 31,623 |

## 11. TRADE AND OTHER RECEIVABLES

The general credit terms of the Group granted to its trade customers range from one month to three months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management. An aging analysis of trade receivables, based on the invoice date, net of allowances, is as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 30 days | **249,931** | 226,891 |
| 31 to 90 days | **191,779** | 99,165 |
| Over 90 days | **25,602** | 33,856 |
| Trade receivables | **467,312** | 359,912 |
| Bills receivables | **63,282** | 44,491 |
| Other receivables – an associate | **153,357** | 87,379 |
| Other receivables – others | **97,739** | 71,811 |
| | **781,690** | 563,593 |

## 12. TRADE AND OTHER PAYABLES

An aging analysis of trade payables, based on the date of invoices, is as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 30 days | **196,909** | 165,885 |
| 31 to 90 days | **201,367** | 111,221 |
| Over 90 days | **85,692** | 34,044 |
| Trade payables | **483,968** | 311,150 |
| Bills payables-secured | **25,527** | 17,035 |
| Current portion of other long-term payables | **235,082** | – |
| Other payables | **301,823** | 630,316 |
| | **1,046,400** | 958,501 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The management of AMVIG is pleased to report the final results of 2010. Although 2010 was not without challenges for AMVIG, the Group performed encouragingly well as it continued to benefit from the growing demand of consumption of tobacco products in the PRC, particularly in the mid to high end sector.

In recent years, AMVIG has continually extended its geographical coverage and reach across the region. As a result, AMVIG was able to maintain solid organic growth during the Reporting Period and successfully obtain new orders from our existing customers which enabled us to achieve higher market penetration and improve our brand portfolio. Currently, the Group supplies 6 of the top 10 leading brands and 14 of the 30 core brands in the domestic market in the PRC.

Following the completion of the disposal of Brilliant Circle Group in February 2010, the Company continued to extend its exposure to Shuangxi brand, which may become one of the champion brands in the PRC in 2016, with the acquisition of the remaining equity interest in Famous Plus, which was also completed in February 2010. This reinforced AMVIG's intention to continue its focus on the high-end tobacco packaging business and maintain its dual-growth strategy.

During the year, AMVIG and the Board was encouraged by strong support from our single largest shareholder, Amcor Limited, which has further increased its stake in the Company. We believe with the continued support from Amcor Limited to encourage and develop best practice in production including advanced printing know-how, and financial management and controls including working capital management, our leading position as the largest tobacco packaging printing specialist will be sustainable in the coming year.

With the increase in public health concerns in the PRC, the tobacco groups are focusing on packaging to reinforce their brands' image. During the year, our research and development centres strived to be creative in product designs. They hope to enhance profitability of tobacco groups by defining and repositioning brands with unique packaging solutions. Innovative packaging designs and advanced anti-counterfeiting features have become vital for our customers. Therefore, we continue to seek opportunities to improve our services and know-how in order to create a win-win situation with our customers.

## ACQUISITION

The Group entered into agreement with Dragon Hill Group Limited for the acquisition of the remaining 45% equity interests in Famous Plus on 22 December 2009, which was a non-wholly owned subsidiary of the Company, at a total cash consideration of RMB670 million with a view to further increasing sales in the high-end packaging products market. Such acquisition was completed in February 2010.

## MANAGEMENT AND BOARD CHANGES

During the Reporting Period, Mr. Lee Cheuk Yin, Dannis resigned as Director and Company Secretary of the Company on 1 March 2010. With effect from 1 March 2010, Mr. Liu Shun Fai, who is the Chief Financial Officer of the Group, was appointed as Company Secretary of the Company.

After the appointment of Mr. Ge Su as Chief Executive Officer of the Company in November 2009, Mr. Chan Chew Keak, Billy was re-designated as Non-Executive Chairman with effect from 20 April 2010, relinquishing his executive role in the Group and his appointment was amended to a fixed term of two years commencing from 20 April 2010.

Mr. Ralf Klaus Wunderlich has been appointed as a non-executive Director to replace Mr. Jerzy Czubak with effect from 14 December 2010.

## FINANCIAL REVIEW

### Turnover

During the Reporting Period, due to the exclusion of turnover of Brilliant Circle Group which contributed half year's turnover to the Group in 2009, turnover dropped by 11% from HK$2,975 million to HK$2,651 million. Excluding the turnover of Brilliant Circle Group in 2009, the Group was still able to achieve solid organic growth of the other operations resulting from the continuous consolidation and growth of the tobacco industry in the PRC.

### Gross Profit

During the Reporting Period, the overall gross profit margin was 35.3%, a slight improvement of 0.4 percentage points when compared to last year. The improvement of gross profit margin was due to general improvement in product mix of our continuing operations as an increasing proportion of turnover came from high-end products. Such improvement was however offset, to some extent, by the escalating paper costs. Gross profit was HK$936 million in 2010, a reduction of HK$102 million or 10% as compared to last year due to the exclusion of results of Brilliant Circle Group.

### Other Income

Other income increased due to more interest income received and the recognition of exchange gain on revaluing borrowings denominated in weakening Hong Kong dollars against strengthening Renminbi, the Company's functional currency.

### Operating Costs

Operating costs (including administrative expenses, selling and distribution costs and other operating expenses) decreased by HK$116 million from HK$411 million in 2009 to HK$295 million in 2010. Operating costs expressed as a percentage of turnover decreased from 14% in 2009 to 11% in 2010. In addition to the exclusion of operating costs of Brilliant Circle Group in 2010, such decrease in operating costs also reflects management's continuous efforts in reducing expenses.

### Non-operating Items

During the Reporting Period, the Group reported one-off non-operating items totaling HK$49 million, which included (1) a one-off gain on disposal of Brilliant Circle Group, net of transaction expenses; (2) the recognition of amortised costs on deferred payable to the vendor of the 45% equity interests in Famous Plus; (3) accelerated amortisation of up-front fees paid on borrowings refinanced; and (4) provision of costs to be incurred in rationalising operations within the Group.

**Finance Costs**

Finance costs decreased from HK$53 million in 2009 to HK$35 million in 2010. The decrease was mainly due to the reduction in bank borrowings and the general decrease in borrowing interest rates.

**Share of Profit of Associates**

Share of profit of associates increased from HK$81 million in 2009 to HK$85 million in 2010 despite the exclusion of share of results contributed by Changde Goldroc Rotogravure Printing Co., Ltd. which is part of the Brilliant Circle Group disposed of by the Group. The profit contributed by Nanjing Sanlong Packing Co. Ltd., which is 48% owned by the Group, increased significantly as it recorded encouraging growth in both revenue and profit.

**Taxation**

The effective tax rate of the Group rose by 4 percentage points from 19% in 2009 to 23% in 2010. This was mainly due to the expiry of the two-year tax-free period for Dongguan KWG Colour Printing Co. Ltd..

**Net Profit and Profit Attributable to owners of the Company**

The Group achieved a profit attributable to owners of the Company of HK$571 million in 2010, an increase of 56% from HK$365 million in 2009. The increase was mainly due to the strong growth in profit of continuing operations, additional profit contribution from the acquisition of the remaining 45% equity interests in Famous Plus in 2010, and the one-off gain recognised from the disposal of Brilliant Circle Group.

**Segmental Information**

During 2010, turnover from cigarette packaging printing amounted to HK$2,572 million, which accounted for 97% of the Group's turnover.

Going forward, the percentage of cigarette packaging printing will continue to increase as the Group's transfer paper and laser film sales will be mainly for internal use and will be eliminated on consolidation.

**Dividends**

The Board recommended a final dividend of HK11.4 cents per share, representing a payout ratio of 40%, subject to the approval by the Company's shareholders at the forthcoming Annual General Meeting.

**Financial Position**

As at 31 December 2010, total assets of the Group amounted to HK$5,984 million and its total liabilities amounted to HK$1,966 million, representing a decrease of HK$1,980 million and HK$213 million, respectively as compared to 2009. The decrease in total assets was mainly due to the reduction in available-for-sale financial assets after the disposal of Brilliant Circle Group during the Reporting Period.

**Borrowings and Banking Facilities**

As at 31 December 2010, the Group had gross interest-bearing borrowings of approximately HK$579 million (2009: HK$1,104 million), representing a decrease of HK$525 million over the previous year. The decrease was mainly due to the repayment of syndicated loan borrowed.

Substantially all of the interest-bearing borrowings are unsecured, denominated in Hong Kong dollars and bear interest at floating rates. The maturity profile of the Group's gross interest-bearing borrowings is as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| On demand or within one year | **118** | 408,298 |
| In the second year | **133,328** | 377,238 |
| In the third to fifth years, inclusive | **445,139** | 318,269 |
| | **578,585** | 1,103,805 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(118)** | (408,298) |
| Amount due for settlement after 12 months | **578,467** | 695,507 |

As of 31 December 2010, the Group had committed but undrawn banking facilities amounting to HK$400 million (31 December 2009: Nil).

**Capital Structure**

As at 31 December 2010, the Group had net assets of HK$4,018 million comprising non-current assets of HK$3,771 million (including property, plant and equipment of HK$711 million, prepaid land lease payments of HK$22 million, goodwill of HK$2,538 million, interests in associates of HK$118 million, loan receivables of HK$309 million, available-for-sale financial assets of HK$2 million, other assets of HK$71 million), net current assets of HK$1,122 million and non-current liabilities of HK$875 million.

Gearing ratio, measured by total interest-bearing borrowings as a percentage of equity, decreased from 19.1% in 2009 to 14.4% in 2010. Such decrease was primarily due to the repayment of borrowings.

## Charges on the Group's Assets

As at 31 December 2010, assets with carrying amounts of approximately HK$16 million (31 December 2009: HK$13 million) were pledged to banks in respect of banking facilities granted to the Group.

## Contingent Liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities (31 December 2009: Nil).

## Capital Commitments

As at 31 December 2010, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of HK$8 million (31 December 2009: HK$30 million).

## Working Capital

The current ratio decreased from 301% at last year end to 203% at 31 December 2010 due to significant reduction of available-for-sale financial assets upon disposal of Brilliant Circle Group. Such item was classified as current assets as at the end of last year.

## Foreign Currency Exposure

During 2010, the Group's business transactions were mainly denominated in Renminbi. Substantially all bank borrowings were denominated in Hong Kong dollars.

The Group does not have significant foreign currency exposure.

## Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

## Outlook

Looking ahead to 2011, we endeavor to strengthen our leading market position to deliver increased value and returns to shareholders. The Group will continue to closely monitor the challenges and opportunities presented by the marketplace, as some tobacco groups are using the tender system more aggressively. We will put in place appropriate measures to deal with this.

While 2011 will remain a year of challenge, the Company is cautiously optimistic about the outlook for the coming year. Although there may be some short term impact on profit margin and organic growth by the recent implementation of tendering systems from some tobacco groups, such impact could be cushioned by a number of cost reduction initiatives. More stringent demand from tobacco groups is likely to have a reshuffling effect on the industry as a whole providing opportunities for leading market players such as AMVIG to increase volumes and share of higher value brands as small packaging competitors may likely be adversely affected.

As the Chinese tobacco industry continues to grow, the general trend of consolidation of cigarette brands and production bases will continue. We trust with our team of professional people, tobacco packaging technology know-how, sophisticated research and development and strict quality control, this will bring additional value for our existing and new customers to compete in this unique Chinese tobacco market.

Moving forward, AMVIG will continue our dual-growth strategy by expanding its current sales and distribution network in the PRC, together with the pursuit of potential acquisition opportunities in major provinces to sustain and capture additional market share.

Last but not least, the management would like to thank our loyal customers and all business partners for the support and patience offered during the past year. The management is proud to have a team of devoted and passionate employees and with their continuous dedication and diligent efforts this will drive and sustain AMVIG as a successful business, growing in value for the benefit of the shareholders in the years ahead.

## REMUNERATION POLICIES AND EMPLOYEE INFORMATION

As at 31 December 2010, the Group had 2,539 full time employees in Hong Kong and the PRC. Total staff costs (including Directors' emoluments) amounted to approximately HK$242 million (2009: HK$245 million) for the year. All full time salaried employees, except for factory workers and contract employees, are being paid on a monthly basis, plus a discretionary performance bonus. Factory workers are being remunerated based on a basic wage plus production incentive. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. In addition to salaries, the Group provides staff benefits including medical insurance and contributions to staff's provident fund. Share options, awards and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

## SUPPLEMENTARY INFORMATION

### Purchase, sale or redemption of the Company's listed securities

Save for the repurchase and cancellation of 166,814,000 shares of the Company from Mr. Tsoi at HK$7.00 each on 25 February 2010 pursuant to the sale and purchase agreement entered into between the Group and Mr. Tsoi dated 22 December 2009 in connection with the disposal of the Brilliant Circle Group, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the Reporting Period.

### Closure of register of members

The register of members of the Company will be closed from Tuesday, 21 June 2011 to Tuesday, 28 June 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 December 2010 and for attending the forthcoming Annual General Meeting of the Company to be held, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 20 June 2011.

## Corporate governance

The Company continues to be committed to meet the corporate conduct and to place importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and protection of shareholders' interests.

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

## Audit Committee

The Audit Committee of the Company, comprises the three independent non-executive Directors, namely Mr. Tay Ah Kee, Keith (Chairman of the Audit Committee), Mr. Au Yeung Tin Wah, Ellis and Mr. Oh Choon Gan, Eric, has reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the Company's consolidated financial statements for the Reporting Period.

## Preliminary Announcement of the results agreed by Auditors

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2010. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

By the order of the Board
**AMVIG Holdings Limited**
**Chan Chew Keak, Billy**
*Chairman*

Hong Kong, 29 March 2011

*As at the date of this announcement, the Board comprised Mr. Chan Chew Keak, Billy as non-executive Chairman, Mr. Chan Sai Wai, Mr. Ng Sai Kit and Mr. Ge Su as executive Directors, Mr. David John Cleveland Hodge and Mr. Ralf Klaus Wunderlich as non-executive Directors, and Mr. Tay Ah Kee, Keith, Mr. Au Yeung Tin Wah, Ellis and Mr. Oh Choon Gan, Eric as independent non-executive Directors.*

* *For identification purpose only*