

# News Release

30 March 2012

## *AMVIG Holdings Limited*

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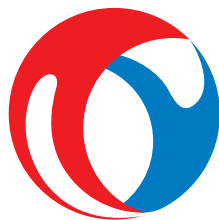
AMVIG Holdings Limited today released its results for the year ended December 31, 2011.

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**

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**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 2011**

**FINANCIAL HIGHLIGHTS**

- Turnover increased by 27% to HK\$3,370 million
- Gross profit increased by 22% to HK\$1,139 million
- Underlying profit attributable to owners of the Company, excluding employee share-based compensation benefits of HK\$21 million in 2011 and non-operating items of HK\$49 million in 2010, increased by 9% from HK\$522 million to HK\$569 million
- Underlying basic earnings per share, excluding employee share-based compensation benefits of HK\$21 million in 2011 and non-operating items of HK\$49 million in 2010, increased by 12% to HK61.7 cents
- Proposed final dividend of HK10.8 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 2011 (the “**Reporting Period**”), together with the comparative results for the previous year as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	<i>Note</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Turnover</b>	3	<b>3,370,001</b>	2,651,161
Cost of goods sold		<u>(2,231,325)</u>	<u>(1,715,116)</u>
<b>Gross profit</b>		<b>1,138,676</b>	936,045
Other income	4	<b>53,323</b>	36,184
Selling and distribution costs		<b>(148,572)</b>	(87,087)
Administrative expenses		<b>(252,977)</b>	(199,674)
Other operating expenses		<b>(374)</b>	(8,062)
Non-operating items	5	–	49,419
Finance costs		<b>(26,508)</b>	(34,860)
Share of profit of associates		<b>60,788</b>	85,420
<b>Profit before tax</b>	6	<b>824,356</b>	777,385
Income tax expenses	7	<b>(242,906)</b>	(176,632)
<b>Profit for the year</b>		<b><u>581,450</u></b>	<b><u>600,753</u></b>
<b>Attributable to:</b>			
– Owners of the Company		<b>547,823</b>	570,914
– Non-controlling interests		<b>33,627</b>	29,839
		<b><u>581,450</u></b>	<b><u>600,753</u></b>
<b>Earnings per share</b>			
– basic (HK cents)	8a	<b><u>59.3</u></b>	<u>60.2</u>
– diluted (HK cents)	8b	<b><u>N/A</u></b>	<u>N/A</u>
<b>Dividends</b>	9	<b><u>218,786</u></b>	<b><u>208,631</u></b>

Underlying profit attributable to owners of the Company and underlying basic earnings per share are calculated as follows:

	<i>Note</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit attributable to owners of the Company		<b>547,823</b>	570,914
Add: Employee share-based compensation benefits		<b>21,604</b>	–
Less: Non-operating items		–	(49,419)
Underlying profit attributable to owners of the Company		<b><u>569,427</u></b>	<b><u>521,495</u></b>
Underlying basic earnings per share (HK cents)	8c	<b><u>61.7</u></b>	<b><u>55.0</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>
<b>Profit for the year</b>		<b>581,450</b>	600,753
<b>Other comprehensive income:</b>			
Exchange gain on translating foreign operations		<b>178,030</b>	164,845
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)
Gain on cash flow hedges		–	4,319
<b>Other comprehensive income for the year, net of tax</b>	<i>10</i>	<b>178,030</b>	35,650
<b>Total comprehensive income for the year</b>		<b>759,480</b>	636,403
<b>Attributable to:</b>			
Owners of the Company		<b>718,087</b>	600,135
Non-controlling interests		<b>41,393</b>	36,268
		<b>759,480</b>	636,403

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		623,019	711,229
Prepaid land lease payments		22,812	22,567
Goodwill		2,627,422	2,538,229
Interests in associates		145,763	117,615
Loan receivables		301,719	308,536
Available-for-sale financial assets		1,701	1,631
Other assets		91,223	71,036
		<u>3,813,659</u>	<u>3,770,843</u>
<b>Current assets</b>			
Inventories		416,101	359,984
Trade and other receivables	<i>11</i>	568,932	781,690
Prepaid land lease payments		727	697
Prepayments and deposits		46,811	57,771
Pledged bank deposits		–	15,863
Bank and cash balances		1,715,341	997,278
		<u>2,747,912</u>	<u>2,213,283</u>
<b>Total assets</b>		<u><u>6,561,571</u></u>	<u><u>5,984,126</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		9,231	9,231
Reserves		4,345,022	3,829,656
Equity attributable to owners of the Company		4,354,253	3,838,887
Non-controlling interests		190,834	179,228
<b>Total equity</b>		<u>4,545,087</u>	<u>4,018,115</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		769,260	578,467
Other long-term payables		–	235,082
Deferred tax liabilities		68,283	61,833
		<u>837,543</u>	<u>875,382</u>

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>912,897</b>	1,046,400
Current tax liabilities		<b>48,714</b>	44,111
Current portion of bank borrowings		<b>217,330</b>	118
		<u><b>1,178,941</b></u>	<u>1,090,629</u>
<b>Total liabilities</b>		<u><b>2,016,484</b></u>	<u>1,966,011</u>
<b>Total equity and liabilities</b>		<u><b>6,561,571</b></u>	<u>5,984,126</u>
<b>Net current assets</b>		<u><b>1,568,971</b></u>	<u>1,122,654</u>
<b>Total assets less current liabilities</b>		<u><b>5,382,630</b></u>	<u>4,893,497</u>

## 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 2011. 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 significant 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. BASIS OF PREPARATION

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.

### 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, prepayments and deposits and other receivables for general administrative use. Segment liabilities do not include 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:

	<b>Printing of cigarette packages 2011 HK\$'000</b>	Printing of cigarette packages 2010 HK\$ '000	<b>Manufacturing of transfer paper and laser film 2011 HK\$'000</b>	Manufacturing of transfer paper and laser film 2010 HK\$'000	<b>Total 2011 HK\$'000</b>	Total 2010 HK\$'000
<b>Year ended 31 December</b>						
Revenue from external customers	<b>3,333,193</b>	2,572,372	<b>36,808</b>	78,789	<b>3,370,001</b>	2,651,161
Inter-segment revenue	–	–	–	66,598	–	66,598
Segment profit	<b>782,758</b>	710,761	<b>7,261</b>	1,988	<b>790,019</b>	712,749
Interest income	<b>17,520</b>	10,985	<b>126</b>	1,740	<b>17,646</b>	12,725
Interest expenses	–	(217)	–	–	–	(217)
Depreciation and amortisation	<b>(72,264)</b>	(70,321)	<b>(804)</b>	(19,724)	<b>(73,068)</b>	(90,045)
Share of profit of associates	<b>55,956</b>	85,420	<b>4,832</b>	–	<b>60,788</b>	85,420
Income tax expenses	<b>(190,315)</b>	(142,495)	<b>(524)</b>	(685)	<b>(190,839)</b>	(143,180)
Additions to segment non-current assets	<b>33,407</b>	52,186	<b>1,096</b>	259	<b>34,503</b>	52,445
<b>As at 31 December</b>						
Segment assets	<b>2,713,493</b>	2,233,608	<b>54,660</b>	318,224	<b>2,768,153</b>	2,551,832
Segment liabilities	<b>(684,108)</b>	(741,851)	<b>(1,432)</b>	(77,396)	<b>(685,540)</b>	(819,247)
Interests in associates	<b>120,000</b>	117,615	<b>25,763</b>	–	<b>145,763</b>	117,615

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	3,370,001	2,717,759
Elimination of inter-segment revenue	–	(66,598)
Consolidated revenue	<u>3,370,001</u>	<u>2,651,161</u>
<b>Profit or loss</b>		
Total profit or loss of reportable segments	790,019	712,749
Other profit or loss	(208,569)	(111,996)
Consolidated profit for the year	<u>581,450</u>	<u>600,753</u>
<b>Assets</b>		
Total assets of reportable segments	2,768,153	2,551,832
Goodwill	2,627,422	2,538,229
Loan receivables	301,719	308,536
Available-for-sale financial assets	1,701	1,631
Other assets	862,576	583,898
Consolidated total assets	<u>6,561,571</u>	<u>5,984,126</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	(685,540)	(819,247)
Other liabilities	(1,330,944)	(1,146,764)
Consolidated total liabilities	<u>(2,016,484)</u>	<u>(1,966,011)</u>

**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:**

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Printing of cigarette packages		
Customer A	1,511,491	975,057
Customer B	604,580	535,353
Customer C	436,090	479,190
Customer D	348,511	300,316

#### 4. OTHER INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Gain on sales of scrapped materials	4,580	8,102
Interest income	21,390	14,296
Compensation received	1,857	298
Government grants received		
– Unconditional grants relating to expenses item	6,912	3,822
Exchange gain	16,977	7,083
Sundry income	1,607	2,583
	<u>53,323</u>	<u>36,184</u>

#### 5. NON-OPERATING ITEMS

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Gain on disposal of available-for-sale financial assets	(a)	–	99,617
Notional interests on other payables	(b)	–	(18,102)
Others		–	(32,096)
		<u>–</u>	<u>49,419</u>

*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, 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:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Cost of inventories sold	<b>2,231,325</b>	1,715,116
Depreciation	<b>84,112</b>	92,533
Loss on disposals of property, plant and equipment	<b>8,688</b>	2,953
Operating lease rentals in respect of land, buildings and equipment	<b>26,030</b>	28,543
Staff costs including Directors' emoluments	<b>308,479</b>	241,649
Research and development costs	<b>312</b>	111

## 7. INCOME TAX EXPENSES

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PRC corporate income tax		
– Current	<b>193,109</b>	145,067
– Over provision in prior year	<b>(55)</b>	(215)
Withholding tax	<b>52,067</b>	34,076
Other deferred tax	<b>(2,215)</b>	(2,296)
	<b>242,906</b>	176,632

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% (2010: 15% to 25%).

## 8. EARNINGS PER SHARE

- (a) Basic earnings per share of HK59.3 cents (2010: HK60.2 cents) is calculated based on the Group's profit attributable to the owners of the Company for the year of approximately HK\$547,823,000 (2010: HK\$570,914,000) and the weighted average number of shares of approximately 923,147,000 ordinary shares in issue during the year (2010: 948,740,000 shares).
- (b) No diluted earnings per share are presented as the Company did not have any potentially dilutive ordinary shares during the two years ended 31 December 2011.
- (c) Underlying basic earnings per share of HK61.7 cents (2010: HK55.0 cents) is calculated based on the Group's underlying profit attributable to owners of the Company for the year of approximately HK\$569,427,000 (2010: HK\$521,495,000) and the weighted average number of shares of approximately 923,147,000 ordinary shares in issue during year (2010: 948,740,000 shares).

## 9. DIVIDENDS

The dividends paid during the year ended 31 December 2011 were approximately HK\$105,239,000 being final dividend of HK11.4 cents per share for year 2010 and approximately HK\$119,086,000 being interim dividend of HK12.9 cents per share for year 2011. 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. A final dividend of HK10.8 cents per share in respect of 2011, amounted to approximately HK\$99,700,000 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 2011.

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interim dividend paid of HK12.9 cents (2010: HK11.2 cents) per share	<b>119,086</b>	103,392
Proposed final dividend of HK10.8 cents (2010: HK11.4 cents) per share	<b>99,700</b>	105,239
	<b>218,786</b>	208,631

## 10. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income for the year:

	<b>2011</b>		2010	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain on translating foreign operations		<b>178,030</b>		164,845
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	
Add: Reclassification adjustments for profits included in profit or loss	–	–	3,821	4,319
Other comprehensive income for the year		<b>178,030</b>		35,650

## 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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current to 30 days	250,094	249,931
31 to 90 days	126,209	191,779
Over 90 days	17,639	25,602
	<hr/>	<hr/>
Trade receivables	393,942	467,312
Bills receivables	55,772	63,282
Other receivables – an associate	55,541	153,357
Other receivables – others	63,677	97,739
	<hr/>	<hr/>
	<b>568,932</b>	<b>781,690</b>
	<hr/> <hr/>	<hr/> <hr/>

## 12. TRADE AND OTHER PAYABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current to 30 days	207,577	196,909
31 to 90 days	179,657	201,367
Over 90 days	11,821	85,692
	<hr/>	<hr/>
Trade payables	399,055	483,968
Bills payables-secured	–	25,527
Current portion of other long-term payables	235,082	235,082
Other payables	278,760	301,823
	<hr/>	<hr/>
	<b>912,897</b>	<b>1,046,400</b>
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## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The management of AMVIG is pleased to report another satisfactory financial result for 2011. The strong tobacco consumption and continuous consolidation of the tobacco industry in China, together with management's efforts in developing the market underpinned a satisfactory performance in 2011.

According to the strategies (namely "532" and "461") proposed by China National Tobacco Corporation (the "CNTC"), tobacco industry is now shifting the focus on developing their leading brands to pursue higher profitability and productivity in their product portfolios within the five-year time. As a result of the consolidation, weaker brands will be cannibalized by premium brands and consequently product mix of tobacco has started to shift to the higher end. The Group has benefited from this trend of industry consolidation as our product mix is composed of mainly mid to high end products. During the Reporting Period, AMVIG has successfully continued to be the major supplier to two of the six selected leading brands according to the abovementioned development strategies (6 brands are targeting to achieve sales volume exceeding 2 million master cases by 2016) set by the CNTC.

On the other hand, increasing competition due to more aggressive application of tendering systems by certain tobacco groups has put pressure on our products prices. Such development has, inevitably, impacted our gross profit margin. During the Reporting Period, the management has made improvement in production efficiencies and reducing wastages. Furthermore, the Group also developed new creative product designs to keep up with the customer expectations and managed to seize opportunities to add more value to our services. Stronger marketing efforts were also made in extending our foothold in the existing top cigarette brands we are currently serving. With the management's initiatives in focusing on improving operational efficiency, the Group managed to counteract the drop in price with more volume sold and the refinement of product mix to mitigate the pricing pressure from tendering.

### **MAJOR DEVELOPMENTS**

On 12 May 2011, the Group entered into a framework agreement with China National Tobacco Corporation Beijing ("CNTCBJ") for the strategic development of our subsidiary, Beijing Leigh-Mardon Pacific Packaging Co., Ltd. ("Beijing Plant"). Beijing Plant will be relocated and its registered capital shall be owned as to 51% by the Group and as to 49% by CNTCBJ. The total consideration for the relocation and the development of the new factory premises of RMB139.75 million shall be contributed in cash as to about RMB36.14 million by the Group and as to about RMB103.61 million by CNTCBJ.

### **MANAGEMENT AND BOARD CHANGES**

Mr. David John Cleveland Hodge resigned as a non-executive Director of the Company due to other business commitment with effect from 2 December 2011. With effect from the same day, Mr. Jerzy Czubak was re-appointed for a term of two years as a non-executive Director to replace Mr. Hodge. Mr. Czubak, aged 52, has more than 27 years of operations experience, of which more than 14 years have been working with Amcor Tobacco Packaging. Mr. Czubak has assisted Amcor group of companies in the setting up and management of production plants in Poland, Ukraine, Russia and various investment projects in Europe. He is at present the Global Chief Operation Officer of the tobacco packaging business of Amcor Limited. Mr. Czubak holds a Master of Art degree from University of Lodz in Poland and a Master of Business Administration degree from University of Bristol in United Kingdom.

## **FINANCIAL REVIEW**

### **Turnover**

During the Reporting Period, turnover of the Group increased by 27% from HK\$2,651 million to HK\$3,370 million. Such solid growth was achieved through organic means as the tobacco industry in PRC continued to grow and consolidate.

### **Gross Profit**

During the Reporting Period, the overall gross profit rate was 33.8%, a drop of 1.5 percentage points when compared to 35.3% achieved last year. The drop in gross profit rate was mainly due to the implementation of the tendering system more aggressively during the year. The pricing pressure was, to a certain extent, mitigated by volume growth and the management's dedicated effort in improving production efficiency and cutting costs. Gross profit during the Reporting Period increased by 22% from HK\$936 million to HK\$1,139 million.

### **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) increased by 36% from HK\$295 million in 2010 to HK\$402 million in 2011. Operating costs expressed as a percentage of turnover increased marginally from 11.1% in 2010 to 11.9% in 2011. The increase in operating costs was mainly due to (1) selling expenses incurred to expand marketing networks and distribution channels, resulting in solid growth in turnover; and (2) employee share-based compensation benefits expended resulted from the granting of 90 million share options to senior management during the year.

### **Finance Costs**

Finance costs decreased from HK\$35 million in 2010 to HK\$27 million in 2011. The decrease was mainly due to a general decrease in borrowing interest rates.

### **Share of Profit of Associates**

Share of profit of associates decreased from HK\$85 million in 2010 to HK\$61 million in 2011. The decrease was mainly due to a decrease in our share of profit from Nanjing Sanlong Packing Co., Ltd. as a result of (1) non-recurrence of certain one off sales made in fourth quarter of 2010 due to the imminent change in designs and (2) a provision of tax under-provided in 2010.

### **Taxation**

The effective tax rate of the Group rose by 7 percentage points from 23% in 2010 to 30% in 2011. This was mainly due to (1) non-operating items of HK\$49 million recorded in 2010 that was non-taxable; and (2) certain selling expenses incurred for market development in 2011 that were not tax deductible.

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

The Group achieved a profit attributable to owners of the Company of HK\$548 million in 2011, a decrease of 4% from HK\$571 million in 2010. However, excluding (1) the non-operating items of HK\$49 million mainly resulted from the gain on disposal of Brilliant Circle Group in 2010; and (2) the employee share-based compensation benefits of HK\$21 million resulted from the granting of share options to senior management in 2011, the underlying profit attributable to owners of the Company increase by 9% from HK\$522 million in 2010 to HK\$569 million in 2011.

## Segmental Information

During the Reporting Period, substantially the entire turnover was derived from cigarette packaging printing.

## Dividends

The Board recommended the payment of a final dividend of HK10.8 cents per share for the year ended 31 December 2011 (2010: HK11.4 cents) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 29 June 2012. Subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting of the Company, the said final dividend will be paid to the Company's shareholders around 16 July 2012.

## Financial Position

As at 31 December 2011, total assets of the Group amounted to HK\$6,562 million and its total liabilities amounted to HK\$2,016 million, representing an increase of HK\$577 million and HK\$50 million, respectively as compared to 2010. The increase in total assets was mainly due to increase in cash and bank balances resulted from drawdown of loan facilities and cash inflow from operating activities. Increase in total liabilities was mainly due to the drawdown of loan facilities.

## Borrowings and Banking Facilities

As at 31 December 2011, the Group has gross interest-bearing borrowings of approximately HK\$987 million (2010: HK\$579 million), representing an increase of HK\$408 million over the previous year. The increase was mainly due to the drawdown of loan facilities.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
On demand or within one year	217,330	118
In the second year	769,260	133,328
In the third to fifth years, inclusive	—	445,139
	<u>986,590</u>	<u>578,585</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(217,330)</u>	<u>(118)</u>
Amount due for settlement after 12 months	<u><u>769,260</u></u>	<u><u>578,467</u></u>

As at 31 December 2011, the Group did not have any commitment but undrawn banking facilities (2010: HK\$400 million).

### **Capital Structure**

As at 31 December 2011, the Group had net assets of HK\$4,545 million comprising non-current assets of HK\$3,814 million (including property, plant and equipment of HK\$623 million, prepaid land lease payments of HK\$23 million, goodwill of HK\$2,627 million, interests in associates of HK\$146 million, loan receivables of HK\$302 million, available-for-sale financial assets of HK\$2 million, other assets of HK\$91 million), net current assets of HK\$1,569 million and non-current liabilities of HK\$838 million.

Gearing ratio, measured by total interest-bearing borrowings as a percentage of equity, increased from 14.4% in 2010 to 21.7% in 2011. Such increase was primarily due to the drawdown of loan facilities.

### **Charges on the Group's Assets**

As at 31 December 2011, no assets were pledged (2010: HK\$16 million) to banks in respect of banking facilities granted to the Group.

### **Contingent Liabilities**

As at 31 December 2011, the Group did not have any significant contingent liabilities (2010: Nil).

### **Capital Commitments**

As at 31 December 2011, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of HK\$65 million (2010: HK\$8 million).

### **Working Capital**

The current ratio increased from 203% at last year end to 233% at 31 December 2011 due to significant increase in cash and bank balances derived from operating activities.

### **Foreign Currency Exposure**

During 2011, the Group's business transactions were mainly denominated in Renminbi. 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.

## **Prospect**

Looking forward, the tobacco market is still expected to maintain favourable growth and to continue its consolidation in the years to come despite the fact that China's targeted growth has been lowered. With the growing trend of our competitors adopting a more and more aggressive tendering strategy, the pressure on our pricing and margin is on the increase. To cope with this changing competitive landscape, AMVIG has a rigorous focus on cost management across the Group, with particular emphasis on production efficiency and cost control. The Company will continue to focus on reducing production and operating costs so as to maintain reasonable profit margins which allow us to achieve leading performance in the industry.

AMVIG will continue our dual-growth strategy. The ongoing consolidation of the tobacco industry may provide more opportunities for mergers and acquisitions, and at the same time, capture more market share through organic means as smaller scale cigarette packaging printers may be eliminated from the market.

In summary, 2012 will be a difficult year filled with uncertainties. Our strong organic growth may not be sustained. However, given our good track record, a positive industry outlook and our sustainable business model and strategy, we should be able to meet the challenges ahead. We will pursue business opportunities arising from the ongoing consolidation of tobacco industry.

Last but not least, the management would like to take this opportunity to thank all of our shareholders, suppliers and customers for their ongoing loyalty, confidence and support to the Group during the year. Merits should go for all the staff of the Group, for their continued commitment, dedication and determination which successfully bring the business to prosper and help to enhance long term shareholder value and to reward our shareholders appropriately.

## **REMUNERATION POLICIES AND EMPLOYEE INFORMATION**

As at 31 December 2011, the Group had 2,400 full time employees in Hong Kong and the PRC. Total staff costs (including directors' emoluments and employee share-based compensation benefits) amounted to approximately HK\$308 million (2010: HK\$242 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**

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 during the following periods:

1. from Thursday, 14 June 2012 to Thursday, 21 June 2012 (both days inclusive), during which period no transfers of shares will be registered, for ascertaining shareholders' entitlement to attend and vote at the forthcoming Annual General Meeting to be held on or about Friday, 22 June 2012. In order to be eligible to attend and vote at the forthcoming Annual General Meeting, all transfer shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 13 June 2012; and
2. from Thursday, 28 June 2012 to Friday, 29 June 2012 (both days inclusive), during which period no transfers of shares will be registered, for ascertaining shareholders' entitlement to receive the proposed final dividend for the year ended 31 December 2011. In order to be eligible to receive the proposed final dividend, all transfer shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 27 June 2012.

### **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 during the Reporting Period.

### **Audit Committee**

The Audit Committee of the Company, comprising 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 2011 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 2011. 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 2012

*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. Jerzy Czubak 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*