

News Release

28 August 2014

AMVIG Holdings Limited

AMVIG Holdings Limited has released its results for the half year ending June 30, 2014.

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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

FINANCIAL HIGHLIGHTS

- Turnover and gross profit decreased from HK\$1,874 million and HK\$568 million to HK\$1,751 million and HK\$542 million, respectively
- Gross profit margin increased to 30.9% from 30.3%
- Profit attributable to owners of the Company decreased by 7.5% from HK\$205 million to HK\$189 million
- Basic earnings per share was HK20.6 cents
- The underlying profit attributable to owners of the Company, (excluding exchange loss of HK\$35.2 million (six months ended 30 June 2013: exchange gain of HK\$14.7 million)) , increased by 18.2% from HK\$190 million to HK\$225 million
- Dividends declared:
 - (a) Interim HK8.2 cents per share; and
 - (b) Special HK4.1 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 unaudited condensed consolidated financial results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2014 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<i>Note</i>	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	2	1,750,890	1,873,711
Cost of goods sold		(1,209,270)	(1,306,051)
Gross profit		541,620	567,660
Other income		46,274	32,608
Selling and distribution costs		(70,208)	(81,566)
Administrative expenses		(136,897)	(140,692)
Other operating expenses		(35,492)	(286)
Finance costs		(32,729)	(31,258)
Share of profit of associates		19,479	19,260
Profit before tax	3	332,047	365,726
Income tax expenses	4	(119,377)	(138,420)
Profit for the period		212,670	227,306
Attributable to:			
– Owners of the Company		189,489	204,898
– Non-controlling interests		23,181	22,408
		212,670	227,306
Earnings per share			
– basic (HK cents)	5a	20.6	22.2
– diluted (HK cents)	5b	N/A	N/A

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

	<i>Note</i>	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit attributable to owners of the Company (as above)		189,489	204,898
Add/(less): Exchange loss/(gain)		35,229	(14,713)
Underlying profit attributable to owners of the Company		224,718	190,185
Underlying basic earnings per share (HK cents)	5c	24.4	20.6

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	212,670	227,306
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(107,542)	54,188
Other comprehensive income for the period, net of tax	(107,542)	54,188
Total comprehensive income for the period	105,128	281,494
Attributable to:		
– Owners of the Company	87,545	256,271
– Non-controlling interests	17,583	25,223
	105,128	281,494

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		673,902	706,385
Prepaid land lease payments		21,259	22,182
Goodwill		2,660,396	2,728,611
Interests in associates		146,748	141,203
Available-for-sale financial assets		1,722	1,766
Loan receivables and other assets		256,264	255,639
		3,760,291	3,855,786
Current assets			
Inventories		316,590	419,044
Trade and other receivables	7	797,721	622,888
Prepaid land lease payments		736	755
Prepayments and deposits		41,171	37,756
Pledged bank deposits		2,496	5,375
Bank and cash balances		2,062,649	2,269,764
		3,221,363	3,355,582
Total assets		6,981,654	7,211,368

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	<i>Note</i>		
EQUITY			
Capital and reserves			
Share capital		9,215	9,231
Reserves		3,945,457	3,945,518
Equity attributable to owners of the Company		3,954,672	3,954,749
Non-controlling interests		233,475	215,892
Total equity		4,188,147	4,170,641
LIABILITIES			
Non-current liabilities			
Bank borrowings		1,249,290	1,540,124
Deferred tax liabilities		15,641	18,539
		1,264,931	1,558,663
Current liabilities			
Trade and other payables	8	892,958	939,380
Current tax liabilities		46,356	105,300
Current portion of bank borrowings		589,262	437,384
		1,528,576	1,482,064
Total liabilities		2,793,507	3,040,727
Total equity and liabilities		6,981,654	7,211,368
Net current assets		1,692,787	1,873,518
Total assets less current liabilities		5,453,078	5,729,304

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the annual financial statements for the year ended 31 December 2013. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations).

These condensed consolidated financial statements have been prepared under the historical cost basis.

These condensed consolidated financial statements should be read in conjunction with the 2013 annual financial statements. The accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the audited financial statements of the Group for the year ended 31 December 2013.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. All of these pronouncements will be adopted in the Group’s accounting policies for the first period beginning after the effective date of the pronouncements.

2. TURNOVER

The Group’s turnover was substantially derived from the printing of cigarette packages.

3. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging/(crediting) the following:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	(28,272)	(13,107)
Staff costs including Directors' emoluments	159,803	168,895
Cost of inventories sold	1,209,270	1,306,051
Depreciation and amortisation	52,004	45,100
Loss/(gain) on disposal of property, plant and equipment	35	(36)
	<u>35</u>	<u>(36)</u>

4. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PRC corporate income tax and withholding tax		
– current	126,903	140,339
– overprovision in prior year	(6,330)	(756)
Other deferred tax	(1,196)	(1,163)
	<u>119,377</u>	<u>138,420</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit in Hong Kong.

The provision for the People's Republic of China ("PRC") income tax is calculated based on the statutory income tax rates according to the relevant income tax laws and regulations in the PRC.

5. EARNINGS PER SHARE

- (a) Basic earnings per share is calculated based on the Group's unaudited profit attributable to owners of the Company for the six months ended 30 June 2014 of approximately HK\$189,489,000 (30 June 2013: HK\$204,898,000) and the weighted average number of shares of approximately 921,551,000 ordinary shares in issue during the six months ended 30 June 2014 (30 June 2013: 923,147,000 ordinary shares).
- (b) No diluted earnings per share are presented as the Company did not have any potentially dilutive ordinary shares for each of the six months ended 30 June 2014 and 30 June 2013.
- (c) Underlying basic earnings per share is calculated based on the Group's unaudited underlying profit attributable to owners of the Company for the six months ended 30 June 2014 of approximately HK\$224,718,000 (30 June 2013: HK\$190,185,000) and the weighted average number of shares of approximately 921,551,000 ordinary shares in issue during the six months ended 30 June 2014 (30 June 2013: 923,147,000 ordinary shares).

6. DIVIDENDS

- (a) Dividends attributable to the interim period:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK8.2 cents per share declared (2013: HK8.8 cents)	75,567	81,237
Special dividend of HK4.1 cents per share declared (2013: Nil)	37,783	–

The interim dividend and the special dividend for the six months ended 30 June 2014 had not been recognised as a liability at the end of the Reporting Period.

- (b) Dividends attributable to the previous financial year:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2013, approved but not yet paid during the interim period, of HK8.2 cents per share (2013: HK9.2 cents per share in respect of the financial year ended 31 December 2012)	75,567	84,930

7. 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:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Current to 30 days	375,221	321,319
31 to 90 days	210,019	108,951
Over 90 days	<u>43,108</u>	<u>23,761</u>
Trade receivables	628,348	454,031
Bills receivables	93,809	101,224
Other receivables	<u>75,564</u>	<u>67,633</u>
	<u>797,721</u>	<u>622,888</u>

8. TRADE AND OTHER PAYABLES

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Current to 30 days	183,765	258,067
31 to 90 days	253,364	195,762
Over 90 days	<u>14,423</u>	<u>26,600</u>
Trade payables	451,552	480,429
Other payables	<u>441,406</u>	<u>458,951</u>
	<u>892,958</u>	<u>939,380</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The tobacco consumption in China has been slightly affected by the austerity measures implemented by the Chinese Central Government. In the first half of 2014, volume of tobacco sales dropped mildly by 0.07%, which was the first half year recorded a drop for the past decade.

On the other hand, the product mix for tobacco products continued to improve in the first half of 2014. The shift of product mix towards mid and high end products has caused an increase in sales value of tobacco products by 7.4%.

During the Reporting Period, the Group's turnover decreased by 6.6%. This is due to an improvement in the Group's product mix, which resulted in less volume but higher margins. The Group's gross profit margin increased from 30.3% in the first half of 2013 to 30.9%. This was due to the overall improvement in product mix as well as productivity improvement and cost reduction initiatives. As a result, the Group's underlying net profit increased from HK\$190 million in the first half of 2013 to HK\$225 million in the first half of 2014.

Due to the weakening of Renminbi against Hong Kong dollars, there was an exchange loss of HK\$35.2 million (first half of 2013: exchange gain of HK\$14.7 million), consequently the reported net profit dropped by 7.5% from HK\$205 million to HK\$189 million.

Given the Group's strong financial position, the Board has declared a special dividend of HK4.1 cents per share in addition to an interim dividend to return a portion of excess cash to shareholders.

FINANCIAL REVIEW

Turnover

During the Reporting Period, the Group has recorded a lower turnover of 6.6% from HK\$1,874 million to HK\$1,751 million. This was mainly due to an improvement in product mix which resulted in decline in sales volume. However, product prices in general remain stable.

Gross Profit

For the first half of 2014, with the aggressive cost saving efforts together with an improvement in product mix, the overall gross profit rate improved by 0.6 percentage points when compared to the same period of last year to 30.9%. But due to the lower turnover, the absolute value of the gross profit decreased slightly from HK\$568 million to HK\$542 million.

Other Income

The increase in other income was mainly due to more interest income recognized in the first half of 2014 in accordance with an increase in average bank balances over the Reporting Period when compared to the same period of last year.

Operating Cost

Operating costs increased by HK\$19 million from HK\$223 million in the first half of 2013 to HK\$242 million in the first half of 2014. The increase was mainly due to exchange losses on revaluing borrowings denominated in Hong Kong dollars against the depreciating Renminbi. Excluding such exchange loss, the actual operating costs reduced by about HK\$16 million to HK\$207 million in the first half of 2014. Such reduction in operating expenses was achieved through tighter cost control in spite of inflationary pressure. As a percentage of turnover, the operating costs (excluding exchange loss) decreased to 11.8% in the Reporting Period from 11.9% in the same period of last year.

Finance Costs

Finance costs increased slightly from HK\$31 million in the first half of 2013 to HK\$33 million for the Reporting Period. The increase was mainly due to an increase in bank borrowings as the unutilized banking facilities were fully drawn down since April 2013.

Share of Profit of Associates

Share of profit of associates was HK\$19 million in the first half of 2014, which rose marginally by 1% when compared to the same period of last year. Such rise was encouraging as the declining profit trend of our Nanjing Plant was stabilized in the Reporting Period.

Taxation

The effective tax rate of the Group remained stable at 36% in the first half of 2014. Such rate was higher than the statutory tax rate due to the incurrence of certain non-tax deductible expenses.

Profit Attributable to Owners of the Company

The Group achieved a profit attributable to owners of the Company of HK\$189 million during the Reporting Period, representing a decrease of 7.5% as compared to HK\$205 million in the first half of 2013. The decrease was mainly due to an exchange loss (first half of 2013: exchange gain of HK\$14.7 million). Excluding the impact of exchange differences, the Group's underlying net profit increased by 18.2% from HK\$190 million to HK\$225 million, in spite of a slight drop in turnover. This was mainly due to an improvement in margins and better cost controls.

Segmental Information

During the Reporting Period, substantially all the turnover was derived from printing of cigarette packages.

Financial Position

As at 30 June 2014, total assets of the Group amounted to HK\$6,982 million and its total liabilities amounted to HK\$2,794 million, representing a decrease of HK\$229 million and HK\$247 million, respectively as compared to 31 December 2013. Both total assets and total liabilities decreased since cash was used to pay down the bank borrowings and other payables during the Reporting Period.

Borrowings and Banking Facilities

As at 30 June 2014, the Group had gross interest-bearing borrowings of approximately HK\$1,839 million (31 December 2013: HK\$1,978 million), representing a decrease of HK\$139 million over the last year end. The reduction was due to the repayment of bank borrowings during the Reporting Period.

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:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
On demand or within one year	589,262	437,384
In the second year	1,249,290	741,693
In the third to fifth years, inclusive	–	798,431
	1,838,552	1,977,508
Less: Amount due for settlement within 12 months (shown under current liabilities)	(589,262)	(437,384)
Amount due for settlement after 12 months	1,249,290	1,540,124

As of 30 June 2014, the Group did not have any committed and undrawn banking facilities (31 December 2013: Nil).

Capital Structure

As at 30 June 2014, the Group had net assets of HK\$4,188 million comprising non-current assets of HK\$3,760 million, net current assets of HK\$1,693 million and non-current liabilities of HK\$1,265 million.

Gross gearing ratio, measured by total interest-bearing borrowings as a percentage of equity, decreased from 47.4% as at 31 December 2013 to 43.9% as at 30 June 2014. The gross gearing ratio decreased as bank borrowings were paid down according to the repayment schedule during the first half of 2014.

Charges on the Group's Assets

As at 30 June 2014, assets with carrying amount of approximately HK\$2 million (31 December 2013: HK\$5 million) were pledged to customers in respect of quality assurance of products produced.

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

Capital Commitments

As at 30 June 2014, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of HK\$22 million (31 December 2013: HK\$43 million).

Working Capital

The current ratio decreased from 226% at last year end to 211% at 30 June 2014 due to repayment of bank borrowings and more bank borrowings fall due within one year.

Foreign Currency Exposure

During the Reporting Period, the Group's business transactions were mainly denominated in Renminbi. All bank borrowings were denominated in Hong Kong dollars.

The Group has foreign currency exposure on Hong Kong dollars related to its bank borrowings.

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.

MATERIAL ACQUISITION AND DISPOSAL

During the Reporting Period, there was no material acquisition and disposal of subsidiaries or associated companies by the Group.

REMUNERATION POLICIES AND EMPLOYEE INFORMATION

As at 30 June 2014, the Group had 2,369 full time employees in Hong Kong and the PRC. Total staff costs (including directors' emoluments) amounted to HK\$160 million (six months ended 30 June 2013: HK\$169 million) for the Reporting Period. The Group's remuneration policies are consistent with the one that was disclosed in the annual report of the Company for 2013.

PROSPECTS

The tobacco industry remains to be an important contributor to the Chinese Government in terms of both tax revenue and employment. The management considers the impact of the austerity measures on the tobacco industry will be temporary during this transition. With the continuous improvement in product mix, the management anticipates the tobacco market in China may resume its normal growth rate in terms of sales value in the very near future.

With the recent rationalization in tendering practices, and the efforts spent on cost savings and productivity improvements, the Group's gross profit margin was stabilized during the Reporting Period. Operating results have improved. With a more stable operating environment as compared to the past years, the management is cautiously optimistic about the prospects of the tobacco packaging market. AMVIG, as a company run by professional managers, will be benefited from a more transparent market going forward.

In addition to organic growth, the management has been actively pursuing value added acquisitions. The management expects the tobacco packaging market will consolidate further, albeit at a slow pace, as smaller players may exit.

Once again, we would like to take this opportunity to thank our shareholders for their unfailing support to the management in the challenging environment.

INTERIM AND SPECIAL DIVIDENDS

The Board has declared an interim dividend of HK8.2 cents per share (2013: HK8.8 cents per share) and a special dividend of HK4.1 cents per share (2013: Nil) for the six months ended 30 June 2014 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 12 December 2014. The interim dividend and the special dividend will be paid on or about 19 December 2014.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to the interim dividend and the special dividend, the register of members of the Company will be closed from Wednesday, 10 December 2014 to Friday, 12 December 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend and the special dividend for the Reporting Period, 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 branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 9 December 2014.

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

The Company repurchased a total of 424,000 shares on the Stock Exchange during the Reporting Period. Details of the repurchases are as follows:

Date of repurchase	Total number of shares repurchased	Repurchase prices per share		Total paid HK\$
		Highest HK\$	Lowest HK\$	
2 January 2014	276,000	3.72	3.70	1,022,080
3 January 2014	118,000	3.75	3.69	440,840
6 January 2014	30,000	3.70	3.57	108,260
	<u>424,000</u>			<u>1,571,180</u>

The repurchased shares above were cancelled on 28 January 2014.

The repurchase of the Company's shares during the Reporting Period was effected by the Directors pursuant to the repurchase mandate granted by the shareholders of the Company at the annual general meeting held on 13 June 2013, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

The Company continues to be committed to maintaining the highest possible standard of corporate governance within a framework of corporate processes and systems which promote transparency, accountability and protection of shareholders' interests as well as encourage and incentivize key personnel to perform well and to grow the businesses.

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

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. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with senior management relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the Reporting Period. There is no disagreement raised by the Audit Committee on the accounting treatment adopted by the Company. The interim results for the Reporting Period are unaudited but certain agreed-upon procedures have been performed by the auditor of the Company in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” issued by the HKICPA at the request of the Audit Committee. The agreed-upon procedures performed by the auditor did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and the auditor accordingly does not express any assurance on the interim results of the Company. The findings on the aforementioned “agreed-upon procedures” have been taken into consideration by the Audit Committee in its review of the interim results for the Reporting Period, which have been approved by the Board on 27 August 2014 prior to its issuance.

By Order of the Board
AMVIG Holdings Limited
Chan Chew Keak, Billy
Non-executive Chairman

Hong Kong, 27 August 2014

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 purposes only*