

News Release

22 August 2013

AMVIG Holdings Limited

AMVIG Holdings Limited has released its results for the half year ended June 30, 2013.

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 2013**

FINANCIAL HIGHLIGHTS

- Turnover and gross profit increased marginally to HK\$1,874 million and HK\$568 million, respectively
- Gross profit margin maintained at 30.3%
- Profit attributable to owners of the Company increased marginally from HK\$203 million to HK\$205 million
- Basic earnings per share was HK22.2 cents
- Interim dividend of HK8.8 cents per share was declared

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 2013 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Note</i>		
Turnover	2	1,873,711	1,869,818
Cost of goods sold		(1,306,051)	(1,303,444)
Gross profit		567,660	566,374
Other income		32,608	20,038
Selling and distribution costs		(81,566)	(120,724)
Administrative expenses		(140,692)	(124,421)
Other operating expenses		(286)	(7,072)
Finance costs		(31,258)	(16,105)
Share of profit of associates		19,260	29,120
Profit before tax	3	365,726	347,210
Income tax expenses	4	(138,420)	(125,075)
Profit for the period		227,306	222,135
Attributable to:			
– Owners of the Company		204,898	202,935
– Non-controlling interests		22,408	19,200
		227,306	222,135
Earnings per share			
– basic (HK cents)	5a	22.2	22.0
– diluted (HK cents)	5b	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	227,306	222,135
Other comprehensive income:		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	54,188	(54,345)
Other comprehensive income for the period, net of tax	54,188	(54,345)
Total comprehensive income for the period	281,494	167,790
Attributable to:		
– Owners of the Company	256,271	150,452
– Non-controlling interests	25,223	17,338
	281,494	167,790

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

		30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		716,159	720,207
Prepaid land lease payments		22,249	22,327
Goodwill		2,691,093	2,656,132
Interests in associates		159,591	138,360
Loan receivables		245,006	245,273
Available-for-sale financial assets		1,742	1,719
Other assets		51,706	61,112
		3,887,546	3,845,130
Current assets			
Inventories		426,208	477,249
Trade and other receivables	7	862,745	862,115
Prepaid land lease payments		745	735
Prepayments and deposits		52,550	45,638
Pledged bank deposits		3,928	14,516
Bank and cash balances		1,809,098	1,247,448
		3,155,274	2,647,701
Total assets		7,042,820	6,492,831

		30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
	<i>Note</i>		
EQUITY			
Capital and reserves			
Share capital		9,231	9,231
Reserves		3,800,193	3,620,556
Equity attributable to owners of the Company		3,809,424	3,629,787
Non-controlling interests		225,876	200,653
Total equity		4,035,300	3,830,440
LIABILITIES			
Non-current liabilities			
Bank borrowings		1,835,071	1,547,599
Deferred tax liabilities		83,912	80,947
		1,918,983	1,628,546
Current liabilities			
Trade and other payables	8	911,700	991,838
Current tax liabilities		39,433	42,007
Current portion of bank borrowings		137,404	—
		1,088,537	1,033,845
Total liabilities		3,007,520	2,662,391
Total equity and liabilities		7,042,820	6,492,831
Net current assets		2,066,737	1,613,856
Total assets less current liabilities		5,954,283	5,458,986

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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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 2012. 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 (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) 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 2012 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 2012, except for the adoption of amendments to HKAS 1 “Presentation of Financial Statements” (“HKAS 1”) and HKFRS 13 “Fair Value Measurement” (“HKFRS 13”).

HKAS 1:

HKAS 1 titled Presentation of Items of Other Comprehensive Income introduces new terminology for statement of comprehensive income and income statement. Under the HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The HKAS 1 retains the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The HKAS 1 requires additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13:

HKFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The adoption of these new and revised HKFRSs did not result in substantial changes to the presentation of the Group's financial statement and amounts reported for the current period.

The Group has not early applied those new and revised 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 is principally engaged in 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	(13,107)	(13,665)
Directors' emoluments (excluding employee share-based compensation benefits)	12,228	7,657
Directors' emoluments – employee share-based compensation benefits	7,352	18,464
Cost of inventories sold	1,306,051	1,303,444
Depreciation and amortisation	45,100	41,223
(Gain)/loss on disposal of property, plant and equipment	(36)	344
Write down of inventories	197	170

4. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PRC corporate income tax		
– current	113,918	97,766
– (over)/under provision in prior year	(756)	128
Withholding tax	26,421	28,233
Other deferred tax	(1,163)	(1,052)
	138,420	125,075

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 2013 of HK\$204,898,000 (30 June 2012: HK\$202,935,000) and the weighted average number of shares of 923,147,000 ordinary shares in issue during the six months ended 30 June 2013 (30 June 2012: 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 2013 and 30 June 2012.

6. DIVIDENDS

- (a) Dividends attributable to the interim period:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK8.8 cents per share declared (2012: HK8.8 cents)	81,237	81,237
Special dividend of HK Nil cents per share declared (2012: HK108 cents)	—	996,999

The interim dividend for the six months ended 30 June 2013 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2012, approved but not yet paid during the following interim period, of HK9.2 cents per share (2012: HK10.8 cents per share in respect of the financial year ended 31 December 2011)	84,930	99,700

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 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Current to 30 days	406,223	489,941
31 to 90 days	214,352	220,410
Over 90 days	41,545	14,528
Trade receivables	662,120	724,879
Bills receivables	131,467	69,586
Other receivables - an associate	54,044	56,150
Other receivables - others	15,114	11,500
	862,745	862,115

8. TRADE AND OTHER PAYABLES

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Current to 30 days	186,354	302,935
31 to 90 days	233,669	257,400
Over 90 days	30,238	28,431
Trade payables	450,261	588,766
Bills payables – secured	–	15,824
Other payables	461,439	387,248
	911,700	991,838

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The operating environment of tobacco packaging industry in China remained challenging in the first half of 2013. High-end tobacco consumption in China was affected by the austerity measures implemented by the new leadership of the Chinese Government, which resulted in a slower growth in total cigarette consumption when compared to the past ten years. Coupled with the ongoing tendering practices adopted by the tobacco groups in sourcing its raw materials since 2011, the Group slowed down its pace of volume growth, with margins under constant pressure.

In the first half of 2013, the Group achieved a mild increase in turnover against the background of slower growth in cigarette consumption and pricing pressure. On the other hand, management's efforts in cost savings yielded a reasonable result and gross profit margin stabilized. Operational costs were also contained. Accordingly, the Group recorded marginally better results in the first half of 2013 when compared to the same period last year.

The financial position continues to remain strong even though the capital structure has been rationalized recently. The Group is continuing to look for acquisition targets.

FINANCIAL REVIEW

Turnover

During the Reporting Period, the Group has recorded a slight growth in turnover of 0.2% from HK\$1,870 million to HK\$1,874 million. There was a slight drop in selling prices but was offset by an increase in sales volume.

Gross Profit

During the Reporting Period, the overall gross profit margin was 30.3%, which was the same as last year. The stable gross profit margin was a result of the Group's cost saving efforts to mitigate the reduction in selling prices. Gross profit amount increased slightly from HK\$566 million to HK\$568 million.

Other Income

The increase in other income was mainly due to the recognition of exchange gain on revaluing borrowings denominated in weakening Hong Kong dollars against the strengthening Renminbi, the Company's functional currency, during the Reporting Period.

Operating Cost

Operating costs (including administrative expenses, selling and distribution costs and other operating expenses) decreased by HK\$29 million from HK\$252 million in first half of 2012 to HK\$223 million in first half of 2013. Operating costs expressed as a percentage of turnover decreased from 13.5% in the first half of 2012 to 11.9% in the Reporting Period. The decrease in operating costs was mainly due to management ability in containing costs, as well as the absence of exchange loss on borrowings denominated in Hong Kong dollars.

Finance Costs

Finance costs increased from HK\$16 million in first half of 2012 to HK\$31 million for the Reporting Period. The increase was mainly due to an increase in bank borrowings as the Group's capital structure was rationalized in the second half of 2012.

Share of Profit of Associates

Share of profit of associates decreased from HK\$29 million in first half of 2012 to HK\$19 million for the Reporting Period. The decline in share of profit of associates was mainly due to drop in average selling prices as a result of tendering for our Nanjing plant.

Taxation

The effective tax rate of the Group remained stable at 37.8% in first half of 2013.

Profit Attributable to Owners of the Company

The Group achieved a profit attributable to owners of the Company of HK\$204.9 million during the Reporting Period, representing a slight increase of 1% from HK\$202.9 million in first half of 2012.

Segmental Information

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

Financial Position

As at 30 June 2013, total assets of the Group amounted to HK\$7,043 million and its total liabilities amounted to HK\$3,007 million, representing an increase of HK\$550 million and HK\$345 million, respectively as compared to 31 December 2012. The increases in total assets and total liabilities were mainly caused by the increase in cashflow from operations and the draw down of unutilized banking facilities.

Borrowings and Banking Facilities

As at 30 June 2013, the Group had gross interest-bearing borrowings of approximately HK\$1,972 million (31 December 2012: HK\$1,548 million), representing an increase of HK\$424 million over the last year end. The increase of bank borrowings was due to the draw down of unutilized banking facilities.

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 2013 HK\$'000	31 December 2012 HK\$'000
On demand or within one year	137,404	–
In the second year	589,253	425,312
In the third to fifth years, inclusive	1,245,818	1,122,287
	1,972,475	1,547,599
Less: Amount due for settlement within 12 months (shown under current liabilities)	(137,404)	–
Amount due for settlement after 12 months	1,835,071	1,547,599

As of 30 June 2013, the Group did not have any committed but undrawn banking facilities (31 December 2012: HK\$420 million).

Capital Structure

As at 30 June 2013, the Group had net assets of HK\$4,035 million comprising non-current assets of HK\$3,888 million, net current assets of HK\$2,066 million and non-current liabilities of HK\$1,919 million.

Gearing ratio, measured by total interest-bearing borrowings as a percentage of equity, increased from 40.4% as at 31 December 2012 to 48.9% as at 30 June 2013. Such increase was primarily due to the draw down of unutilized banking facilities during the first half of 2013.

Charges on the Group's Assets

As at 30 June 2013, assets with carrying amount of approximately HK\$4 million (31 December 2012: HK\$15 million) were pledged to banks in respect of banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

Capital Commitments

As at 30 June 2013, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of HK\$51 million (31 December 2012: HK\$20 million).

Working Capital

The current ratio increased from 256% at last year end to 290% at 30 June 2013 due to substantial increase in cashflow from operations and the draw down of unutilized banking facilities.

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 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.

REMUNERATION POLICIES AND EMPLOYEE INFORMATION

As at 30 June 2013, the Group had 2,568 full time employees in Hong Kong and the PRC. Total staff costs (including directors' emoluments) amounted to HK\$169 million (six months ended 30 June 2012: HK\$168 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 2012.

PROSPECTS

The tobacco packaging industry in China will continue to remain challenging in the second half of the year due to the slower economic growth as well as the ongoing austerity measures. The direction of consolidation of the tobacco packaging industry will be clearer probably by next year. There is a possibility that the tobacco packaging industry may undergo consolidation.

Going forward, the Group continues to reduce its cost to offset the pressure on margins. In view of the strong financial position, the Group hopes to expand organically and by acquisitions. To cater to the expected increase in volume, another offset press will be installed in our Dongguan plant in the second half of the year.

Once again, the Board would like to thank our shareholders and all stakeholders for their patience through the changing competitive landscape. We will continue to strive for higher returns for our shareholders.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK8.8 cents per share (2012: HK8.8 cents per share) for the six months ended 30 June 2013 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 26 September 2013. The interim dividend will be paid on or about 28 November 2013.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 25 September 2013 to Thursday, 26 September 2013 (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 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 24 September 2013.

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 20 August 2013 prior to its issuance.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

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

Hong Kong, 20 August 2013

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*