



Through the ongoing support and devotion of Directors, AMVIG will continue to sustain its momentum and growth.



Directors' Report

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Company (together with its subsidiaries, the "Group") for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 32 to the financial statements.

The Group's turnover and contribution to operating result for the year is attributable to printing of cigarette packages and manufacturing of laminated papers. The analysis of the principal activities and geographical location of the operations of the Group are set out in note 31 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2006 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 62 and 63.

No interim dividend has been declared during the year. The Directors now recommend the payment of a final dividend of HK12.8 cents per share to the members of the Company whose names appear on the register of members of the Company on 25 April 2007 in respect of the year ended 31 December 2006.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity on page 64.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$1,816 million. Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully bonus shares.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2006 are set out in note 32 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

BORROWINGS

Details of the Group's borrowings as at 31 December 2006 are set out in notes 22 and 23 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 to the financial statements.

Details of the Company's share option scheme are set out in the paragraph headed "Share option scheme" of this report.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group is set out on page 98.

DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

Executive Directors

Mr. Chan Chew Keak, Billy	<i>(Chairman)</i>
Mr. Chan Sai Wai	<i>(appointed on 19 June 2006)</i>
Mr. Ng Sai Kit	<i>(appointed on 19 June 2006)</i>
Mr. Li Wei Bo	
Mr. Li Shui Dang	<i>(appointed on 26 May 2006)</i>
Mr. Lee Cheuk Yin, Dannis	
Mr. Cheung Chun Ming	<i>(resigned on 26 May 2006)</i>

Non-executive Directors

Mr. David John	
Cleveland Hodge	<i>(appointed on 26 May 2006)</i>
Mr. Peter Roderick Downing	<i>(appointed on 26 May 2006)</i>
Mr. Sik Siu Kwan	<i>(resigned on 30 May 2006)</i>

Independent non-executive Directors

Mr. Tay Ah Kee, Keith	<i>(appointed on 27 April 2006)</i>
Mr. Au Yeung Tin Wah, Ellis	<i>(appointed on 26 May 2006)</i>
Mr. Oh Choon Gan, Eric	<i>(appointed on 26 May 2006)</i>
Mr. Ng Kwai Sang	<i>(resigned on 26 May 2006)</i>
Mr. Ng Pui Cheung, Joseph	<i>(resigned on 26 May 2006)</i>
Mr. Chung Kwok Mo, John	<i>(resigned on 26 May 2006)</i>

In accordance with article 87 of the articles of association of the Company, one-third of the Directors shall retire but, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Details of the Directors to be retired and subject to re-election at the forthcoming annual general meeting of the Company are contained in the circular to be despatched together with this annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 9 to the financial statements.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group and the employer's costs charged to the consolidated income statement for the year are set out in note 10 to the financial statements.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 22 to 27 of the annual report.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2006 which do not constitute transactions under the Listing Rules are set out in note 27 to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

On 1 March 2006, the Group entered into a master sales agreement ("Master Sales Agreement") with Etsong Tobacco (Group) Corporation Ltd. pursuant to which the Group will sell cigarette packages to the Etsong Group for a period of three years. As Etsong Group is a substantial shareholder of Qingdao Leigh-Mardon Packaging Co., Ltd., being a 60% owned subsidiary of the Company, the Master Sales Agreement constitutes a continuing connected transaction of the Company. The annum caps for the sales of cigarette packages to the Etsong Group for each of the three years ending 31 December 2008 are RMB310 million, RMB375 million and RMB400 million.

On 1 March 2006, the Group also entered into a master purchases agreement ("Master Purchases Agreement") with Amcor Fibre Packaging-Asia Pte Limited pursuant to which the Amcor Group will supply raw materials, such as specialty ink and solvent, to the Group for use in its production for a period of three years. As Amcor Group is a substantial shareholder of the Company, the Master Purchases Agreement constitutes a continuing connected transaction of the Company. The annum caps for the purchase of raw materials from Amcor Group for each of the three years ending 31 December 2008 are RMB8 million, RMB9 million and RMB10 million.

Details of the above two continuing connected transactions are set out in the announcement and circular of the Company dated 27 January 2006 and 6 February 2006 respectively.

The independent non-executive Directors have reviewed and confirmed that the above two continuing connected transactions have been entered into:

- (i) in the ordinary and usual course of business of the Company;
- (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the Master Sales Agreement and the Master Purchases Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed and confirmed that the above two continuing connected transactions:

- (i) have received the approval of Board;
- (ii) are in accordance with the pricing policies of the Group;

- (iii) have been entered into in accordance with the Master Sales Agreement and the Master Purchases Agreement governing the transactions; and
- (iv) have not exceeded the relevant annual caps under the Master Sales Agreement and the Master Purchases Agreement.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for approximately 93% of the total sales for the year and the sales attributable to the largest customer included therein accounted for approximately 30%.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 32% of the total purchases for the year and the purchase attributable to the largest supplier included therein accounted for approximately 15%.

Save as disclosed above, none of the Directors, any of their associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's Shares) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2006, the following Directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were

required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
Mr. Li Wei Bo (Note 1)	Beneficial owner	100,460,000	Long	12.82%
		15,000,000	Short	1.91%
Mr. Chan Sai Wai (Note 2)	Interest of controlled corporation	47,040,000	Long	6.00%
Mr. Ng Sai Kit (Note 3)	Interest of controlled corporation	35,280,000	Long	4.50%
Mr. Lee Cheuk Yin, Dannis	Beneficial owner	3,272,000	Long	0.42%

Notes:

1. A call option has been granted by Mr. Li Wei Bo in respect of 15,000,000 Shares pursuant to which Mr. Li Wei Bo shall be obliged to sell up to 15,000,000 Shares at HK\$5.30 during the period from 27 December 2006 to 26 December 2007. A share mortgage was also created in respect of 22,800,000 Shares to secure the loan advanced to Mr. Li Wei Bo.
2. These Shares are held by Oriental Honour Limited, the entire issued share capital of which is beneficially owned by Mr. Chan Sai Wai.
3. These Shares are held by Joy Benefit Limited, the entire issued share capital of which is beneficially owned by Mr. Ng Sai Kit.

Save as disclosed above, as at 31 December 2006, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to

the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2006, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Note	Capacity	Number of Shares held	Position	Approximate percentage of issued share capital
Amcor Limited	1	Interest of controlled corporation	313,870,000 Shares	Long	40.05%
Amcor Packaging (Asia) Pty Limited	1	Interest of controlled corporation	313,870,000 Shares	Long	40.05%
Amcor Fibre Packaging-Asia Pte Limited	1	Beneficial owner	313,870,000 Shares	Long	40.05%
Ms. Chan Selina Siu Ping	2	Interest of spouse	47,040,000 Shares	Long	6.00%
Mr. Li Zhong Hua	3	Beneficial owner	45,000,000 Shares	Long	5.74%

Notes:

- The shares of Amcor Limited are listed on the Australian Stock Exchange Limited and, in the form of American Depositary Shares evidenced by American Depositary Receipts on the NASDAQ National Market System in the United States. Amcor Packaging (Asia) Pty Limited and Amcor Fibre Packaging-Asia Pte Limited are wholly owned subsidiaries of Amcor Limited.
- Ms. Chan Selina Siu Ping is the spouse of Mr. Chan Sai Wai, an executive Director.
- Mr. Li Zhong Hua is the son of Mr. Li Wei Bo, an executive Director.

Save as disclosed above, as at 31 December 2006, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2006.

Directors' Service Contracts

Each of the new Directors appointed during 2006, namely, Mr. Chan Sai Wai, Mr. Ng Sai Kit, Mr. Li Shui Dang, Mr. David John Cleveland Hodge, Mr. Peter Roderick Downing, Mr. Tay Ah Kee, Keith, Mr. Au Yeung Tin Wah, Ellis and Mr. Oh Choon Gan, Eric have been appointed for a term of two years subject to the normal retirement by rotation under the articles of association of the Company. Their appointment will continue until terminated by either party giving to the other not less than one month's written notice.

The Company confirms that it has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

Other than Mr. Tay Ah Kee, Keith who is appointed for a term of two years since April 2006, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interest in Contracts

Save and except for those disclosed under the paragraph headed "Related party transactions" above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director, or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders of each member of the Group or associated company or any of their respective associates. The Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before it is to be exercised. The Share Option Scheme has become effective for a period of 10 years commencing on 10 March 2004 and up to 40,000,000 options entitling the holders thereof to subscribe for up to 40,000,000 shares may be granted under the Share Option Scheme.

As at 31 December 2006, no option has been granted or agreed to be granted to any person under the Share Option Scheme.

Final Dividend

The board of directors of the Company recommended the payment of a final dividend of HK12.8 cents per share for the year ended 31 December 2006 (2005: HK8.5 cents) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 25 April 2007. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 30 April 2007, the said final dividend will be paid to the Company's shareholders around 30 May 2007.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 23 April 2007 to Wednesday, 25 April 2007 (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 2006 and for attending the annual general meeting of the Company to be held on 30 April 2007, 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 Friday, 20 April 2007.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Sufficiency of Public Float

Based on the information available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at 31 December 2006.

Corporate Governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

POST BALANCE SHEET EVENTS

There is no significant post balance sheet event.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 10 March 2004 for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group.

The Committee comprises the three independent non-executive Directors with Mr. Tay Ah Kee, Keith acting as Chairman.

The financial statements of the Group and of the Company for the year ended 31 December 2006 together with the notes attached thereto have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

RSM Nelson Wheeler will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditors of the Company is to be proposed at the forthcoming annual general meeting.

There is no change in auditors of the Company since the first appointment on 1 December 2003.

On behalf of the Board Directors
Chan Chew Keak, Billy
Chairman

Hong Kong, 26 March 2007