Stock Code 股份代號: 2300

AMVIG

Annual Report 2007 年報

Creative Innovation

AMVIG HOLDINGS LIMITED
澳 科 控 股 有 限 公 司

Content

Corporate Information and Shareholders' Calendar

Corporate Information

Executive Directors

Mr. Chan Chew Keak, Billy (Chairman)
Mr. Chan Sai Wai (Vice Chairman)
Mr. Ng Sai Kit
Mr. Lee Cheuk Yin, Dannis

Non-executive Directors

Mr. David John Cleveland Hodge
Mr. Saw Kee Team, Alan

Independent Non-executive Directors

Mr. Tay Ah Kee, Keith
Mr. Au Yeung Tin Wah, Ellis
Mr. Oh Choon Gan, Eric

Audit Committee

Mr. Tay Ah Kee, Keith (Chairman)
Mr. Au Yeung Tin Wah, Ellis
Mr. Oh Choon Gan, Eric

Remuneration Committee

Mr. Au Yeung Tin Wah, Ellis (Chairman)
Mr. Tay Ah Kee, Keith
Mr. Oh Choon Gan, Eric

Nomination Committee

Mr. Chan Chew Keak, Billy (Chairman)
Mr. Tay Ah Kee, Keith
Mr. Au Yeung Tin Wah, Ellis
Mr. Oh Choon Gan, Eric

Risk Management Committee

Mr. Saw Kee Team, Alan (Chairman)
Mr. Chan Sai Wai
Mr. Lee Cheuk Yin, Dannis

Investment Committee

Mr. Oh Choon Gan, Eric (Chairman)
Mr. David John Cleveland Hodge
Mr. Lee Cheuk Yin, Dannis

Company Secretary and Qualified Accountant

Mr. Lee Cheuk Yin, Dannis, CPA

Auditors

RSM Nelson Wheeler
Certified Public Accountants

Principal Bankers

ABN AMRO Bank N.V.
Bank of China Limited
Bank of Communications Co., Ltd.
The Bank of East Asia, Limited
China Construction Bank Corporation
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Heng Sang Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Shenzhen Commercial Bank
Shenzhen Development Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited

Principal Share Registrar and Transfer Office in Cayman Islands

Bank of Butterfield International
(Cayman) Ltd.
Butterfield House
68 Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai Hong Kong

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P. O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business in Hong Kong

Room 1803-04, 18/F,
Li Po Chun Chambers,
No.189 Des Voeux Road Central,
Hong Kong

Stock Code

2300

Shareholders' Calendar

Register of Shareholders

Close of Register

30 April 2008 to 7 May 2008 (both days inclusive)

Annual General Meeting

10:00 a.m. on 15 May 2008 at Room 1803-04, 18/F Li Po Chun Chambers, No.189 Des Voeux Road Central, Hong Kong

Dividends

Interim dividend: HK7 cents per share
Paid on 28 September 2007

Proposed final dividend: HK8.9 cents per share
Payable on or about 21 June 2008

> Strong emphasis on **Corporate Governance**

> Primary focus is **shareholders' value creation**

> **Geared up** with strong momentum to enhance shareholders' value

Mission

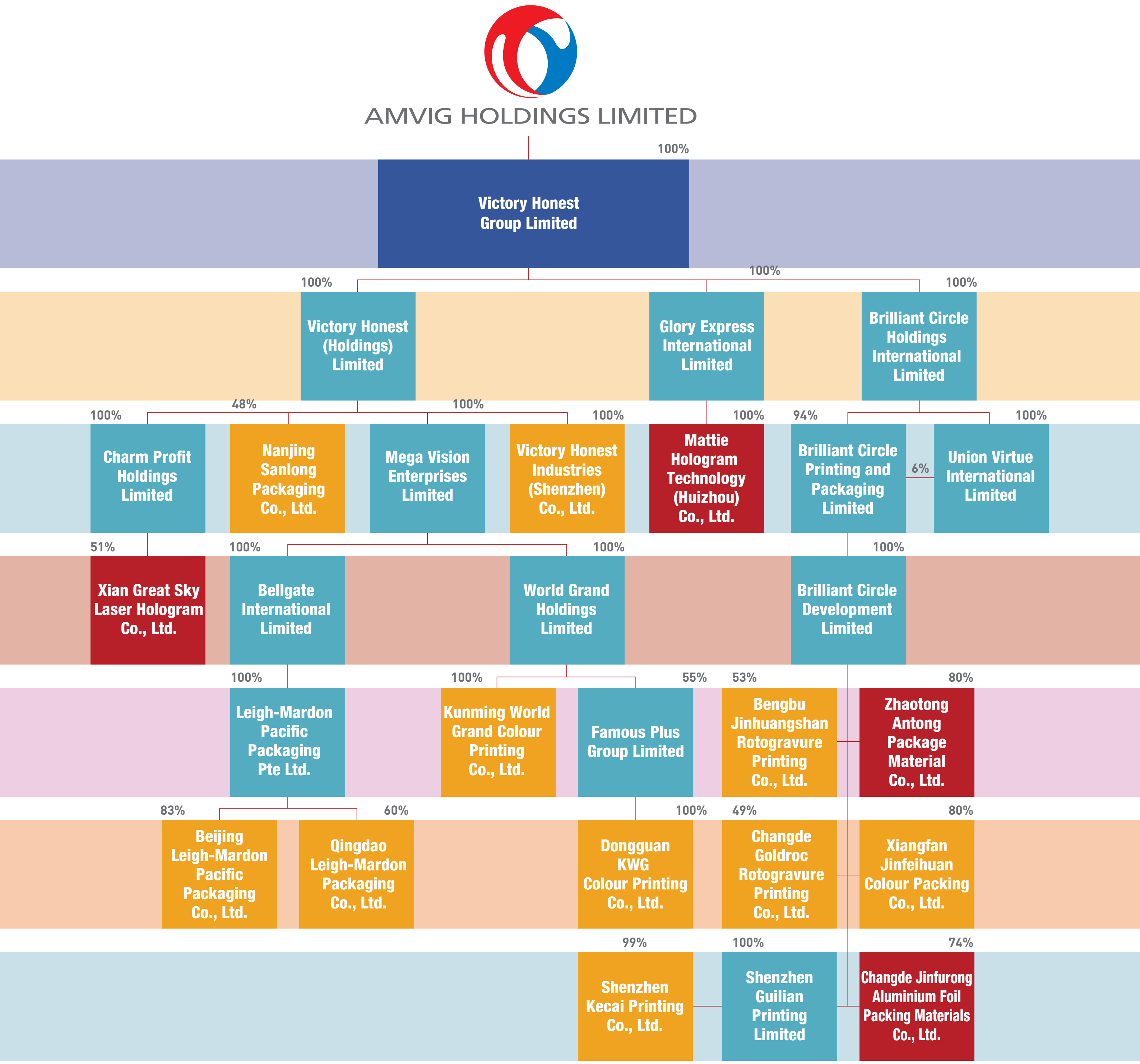
Vision

> To maintain as **the largest and most profitable** cigarette packaging printing company in the PRC

> To sustain as **the best** packaging partner for tobacco manufacturers

> To achieve **world class** level and fulfil the **environmental** standards

Corporate Structure

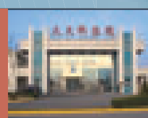


Cigarette packaging printing plant

Transfer / laminated paper and laser film manufacturing plant

Investment holding company

Geographical Coverage



Xian
Xian Great Sky Laser Hologram Co., Ltd. ("Xian Plant")
Laser film manufacturing plant

Zhaotong
Zhaotong Antong Package Material Co., Ltd. ("Zhaotong Plant")
Transfer / laminated paper manufacturing plant

Kunming
Kunming World Grand Colour Printing Co., Ltd. ("Kunming Plant")
Cigarette packaging printing plant

Huizhou
Mattie Hologram Technology (Huizhou) Co., Ltd. ("Huizhou Plant")
Laser film manufacturing plant

Dongguan
Dongguan KWG Colour Printing Co., Ltd. ("Dongguan Plant")
Cigarette packaging printing plant

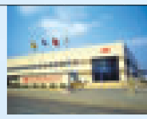
Victory Honest Industries (Shenzhen) Co., Ltd. ("Shenzhen Plant")
Cigarette packaging printing plant

Cigarette packaging printing plant

Transfer / laminated paper and laser film manufacturing plant

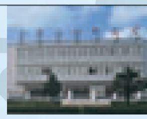
Beijing

Beijing Leigh-Mardon Pacific Packaging Co., Ltd.
("Beijing Plant")
Cigarette packaging printing plant



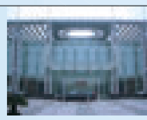
Qingdao

Qingdao Leigh-Mardon Packaging Co., Ltd.
("Qingdao Plant")
Cigarette packaging printing plant



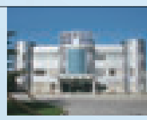
Bengbu

Bengbu Jinhuangshan Rotogravure Printing Co., Ltd.
("Bengbu Plant")
Cigarette packaging printing plant



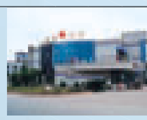
Nanjing

Nanjing Sanlong Packaging Co., Ltd.
("Nanjing Plant")
Cigarette packaging printing plant



Xiangfan

Xiangfan Jinfeihuan Colour Packing Co., Ltd.
("Xiangfan Plant")
Cigarette packaging printing plant



Changde

Changde Goldroc Rotogravure Printing Co., Ltd.
("Goldroc Plant")
Cigarette packaging printing plant

Changde Jinfurong Aluminium Foil
Packing Materials Co., Ltd.
("Changde Plant")
Transfer / laminated paper manufacturing plant

Shenzhen

Shenzhen Kecai Printing Co., Ltd.
("Kecai Plant")
Cigarette packaging printing plant

2007 Achievements

Commenced production of new Donggnan Plant

Our new Dongguan Plant commenced production in December 2007 and will contribute organic growth to the Group in 2008. The expanded operation in Dongguan will better serve the needs of our major customers in the southern part of the Peoples' Republic of China (the "PRC") through the expanded range of products offered.

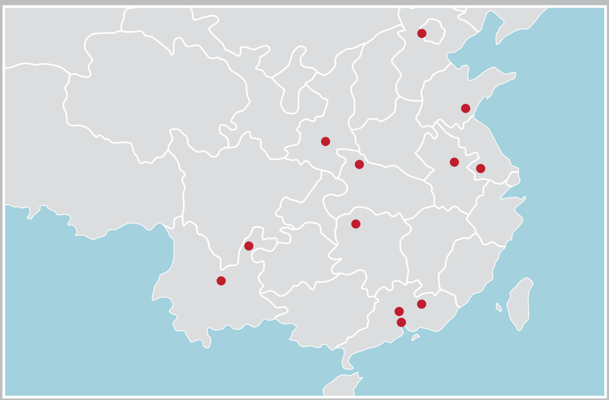
Shenzhen ▹ Dongguan

Relocated plants

The Group has completed the relocation of Shenzhen Plant to Dongguan. The Group expects this will provide economies of scale, reduce transportation costs, allow better sharing of resources and have a significant positive effect on improving utilisation rates.

Major acquisition

AMVIG Holdings Limited (the "Company" or "AMVIG") has completed the acquisition (the "Acquisition") of Brilliant Circle Holdings International Limited ("Brilliant Circle") and its subsidiaries (collectively known as "Brilliant Group") on 31 October 2007, which is one of the top three cigarette packaging printing groups in the PRC with around 8% market share. After the Acquisition, AMVIG has become the largest and most profitable tobacco packaging printing company in the PRC with an estimated market share of around 17%.

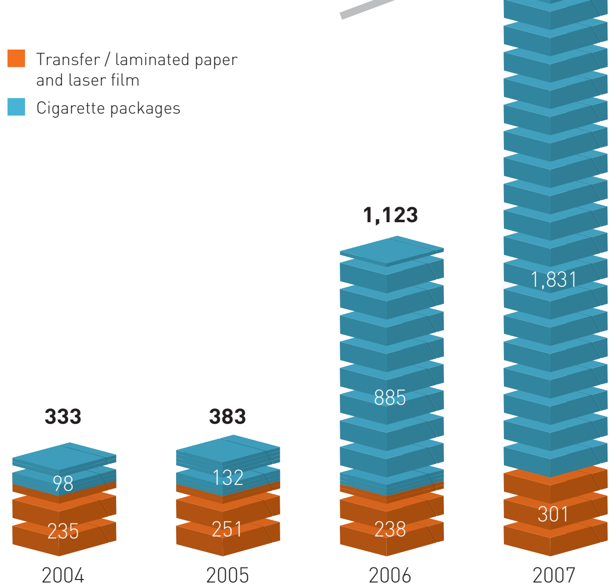


Broadened geographical coverage

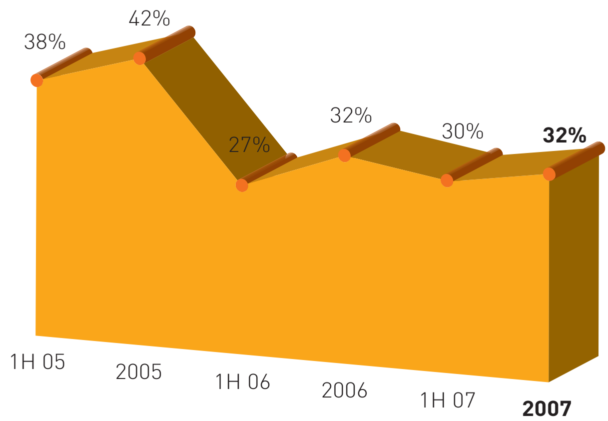
AMVIG has successfully built a leadership position in most of our key customers' regions in the PRC. Our expanded manufacturing footprint currently comprises 10 cigarette packaging printing plants and 4 transfer / laminated paper and laser film manufacturing plants spread across different cities with broad geographical coverage in Beijing, Bengbu, Changde, Dongguan, Kunming, Nanjing, Qingdao, Shenzhen, Xian, Xiangfan, and Zhaotong.

Financial Highlights

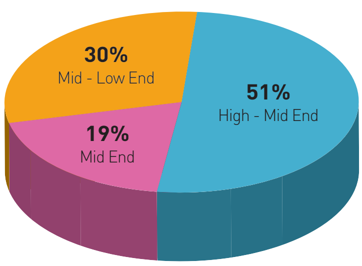
Turnover
HK$ million



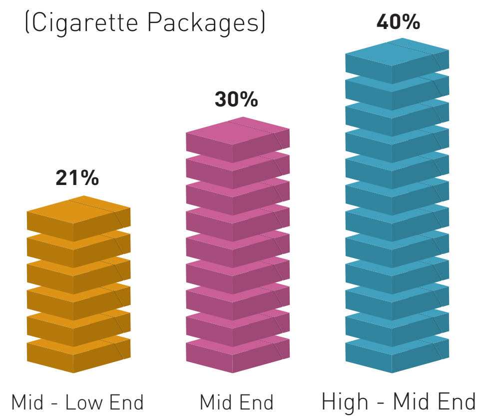
Gross Margin



Product Mix - Turnover for 2007
(Cigarette Packages)



Product Mix - Gross margins for 2007
(Cigarette Packages)

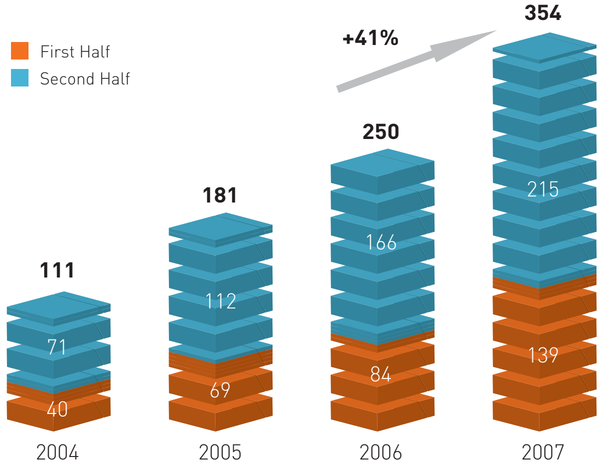


	2007 HK$ million	2006 HK$ million	Change %
Turnover	**2,132**	1,123	90%
Gross profit	**689**	364	89%
Profit attributable to equity holders	**354**	250	41%
Net asset value*	**3,835**	2,175	76%
Net debt	**681**	(234)	N/A
Earnings per share (HK cents)	**43.4**	34.8	25%
Total dividend per share (HK cents)	**15.9**	12.8	24%
Net asset value* per share (HK cents)	**392.3**	277.5	41%

* attributable to equity holders

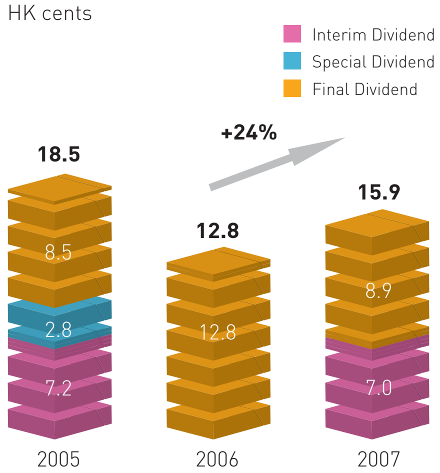
Profit attributable to equity holders

HK$ million



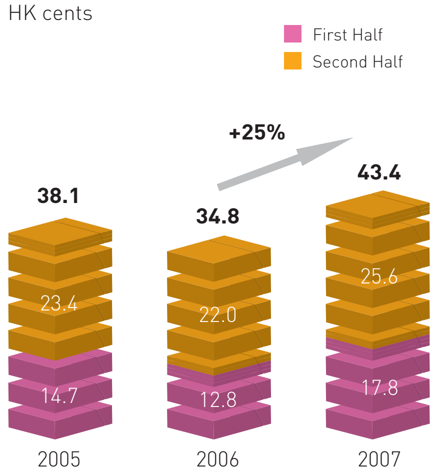
Total dividend per share

HK cents



Earnings per share

HK cents



Strategy

To pursue the dual growth strategy of organic expansion and targeted expansion through acquisition.

Chairman's Statement

"As the largest tobacco packaging printing company in the PRC, AMVIG is committed to leveraging its strengthened diversified manufacturing footprint to ensure sustainable growth and maximise shareholders' value".

It is my pleasure to report on behalf of the board (the "Board") and Company on AMVIG's 2007 annual result. In 2007, AMVIG achieved another record profit and is poised to deliver further growth in 2008.

Year 2007 has been an important year of development for AMVIG as it strives to build on the platform established in the previous year to implement its dual growth strategy. This has allowed AMVIG and its subsidiaries (collectively known as the "Group") to derive benefits from the continuing integration of existing operations and targeted expansion through Acquisition.

First and foremost, I want to thank our customers for their ongoing support that is critical to our continued success. AMVIG is committed to a culture of customer service excellence and strives to be a preferred supplier of choice for all of our customers. We have a wonderful group of skilled and committed employees that drive this customer service excellence and I congratulate and thank them for their outstanding contributions during the year; it is a pleasure to work with them. I also want to thank our suppliers, contractors, advisors, financial institutions; and the very supportive communities where we operate. I look forward to their continuous support and cooperation.

Secondly, 2007 has been another year of consolidation and integration for AMVIG. Earlier in AMVIG's interim result I referred to the solid progress that had been achieved in the first six months of the year and I am delighted to report that our operational and financial performance in the second half has maintained that rate of growth. This is directly attributable to the focus on driving maximum performance from existing operations and harnessing the benefits of an enlarged integrated group. Besides, the centralisation of procurement has reduced our material costs; sharing of resources which maximise capacity utilisation; and the

Chan Chew Keak, Billy
Executive Chairman

benchmarking system in all plants has established the most cost-effective operation to encourage further improvement. As AMVIG continues to grow, the importance of its commitment to the highest standards of corporate governance and capital discipline will continue to differentiate AMVIG from its competitors.

Thirdly, during the year ended 31 December 2007 ("the Reporting Period"), AMVIG successfully acquired one of the top three largest tobacco packaging printing groups, Brilliant Group in the PRC. As a result, AMVIG has become the largest tobacco packaging printing group in the PRC, with its estimated market share increasing from approximately 9% to 17%. The Group's expanded manufacturing footprint, now comprising 10 cigarette packaging printing plants and 4 transfer / laminated paper and laser film manufacturing plants in the PRC, is expected to reinforce our ability to provide differentiated value added services to our customers that will help drive further growth.

During the Reporting Period, the Group's turnover increased from approximately HK$1,123 million to HK$2,132 million and rose 90% as compared to last year. Net profit increased year-on-year by HK$133 million to HK$400 million. The significant increase in turnover is primarily attributable to the full-year contribution of World Grand Holdings Limited and its subsidiaries (collectively known as "World Grand Plant"), Beijing Plant and Qingdao Plant operations and the inclusion of fourth quarter's sales from Brilliant Group. Profit attributable to the equity holders of the Company amounted to approximately HK$354 million, representing an increase of 41% as compared to last year. Basic earnings per share were HK43.4 cents, representing an increase of 25% as compared to last year. The directors (the "Directors") recommended the payment of a final dividend of HK8.9 cents per share for the year ended 31 December 2007.

The cash flow from operations for the Reporting Period was HK$405 million and after the payment of approximately HK$87 million final dividends to shareholders, the free cash flow was HK$318 million.

Major Developments

On 20 June 2007, the Board announced the Company had entered into a Sale and Purchase Agreement with Mr. Tsoi Tak; whereby it had conditionally agreed to pay a total consideration of HK$1,555,500,000 to acquire 100% of Brilliant Circle. Brilliant Group is one of the top three tobacco packaging printing groups in the PRC and is principally engaged in the design and printing of cigarette packages in 6 of the top 10 cigarette production regions. It has manufacturing bases in Hunan, Hubei, Anhui, Yunnan and Shenzhen. The terms of the Acquisition include three years of profit guarantee in respect of the Brilliant Group totalling HK$630 million with the first year not less than HK$200 million. The Acquisition was completed in October 2007; allowing the Group to incorporate part of the results of Brilliant Group's operations into its full year results for the Reporting Period.

In December 2007, our new Dongguan Plant has commenced production and the Group also completed the relocation of the Shenzhen Plant to Dongguan. The Group expects this will provide economies of scale, reduce transportation costs, allow better sharing of resource with the new Dongguan Plant, and additionally have a significant positive effect on improving utilisation rates. The expanded operation in Dongguan will also better serve the needs of our major customers in the southern part of the PRC through the expanded range of products offered.

The Board is confident that these expansion initiatives, that are consistent with our development strategies, will ensure the Group is best positioned to serve the needs of its customers in future and deliver sustainable profit growth.

During the year, AMVIG implemented a number of important changes to its Board and management structure to further strengthen its prospects going forward. In June 2007, Mr. Chan Sai Wai was appointed as the Vice-Chairman of the Board. At the same time Mr. Saw Kee Team, Alan was appointed as a non-executive Director ("NED") replacing Mr. Peter Roderick Downing following his retirement. In April 2008, Mr. Li Shui Dang resigned as executive Director.

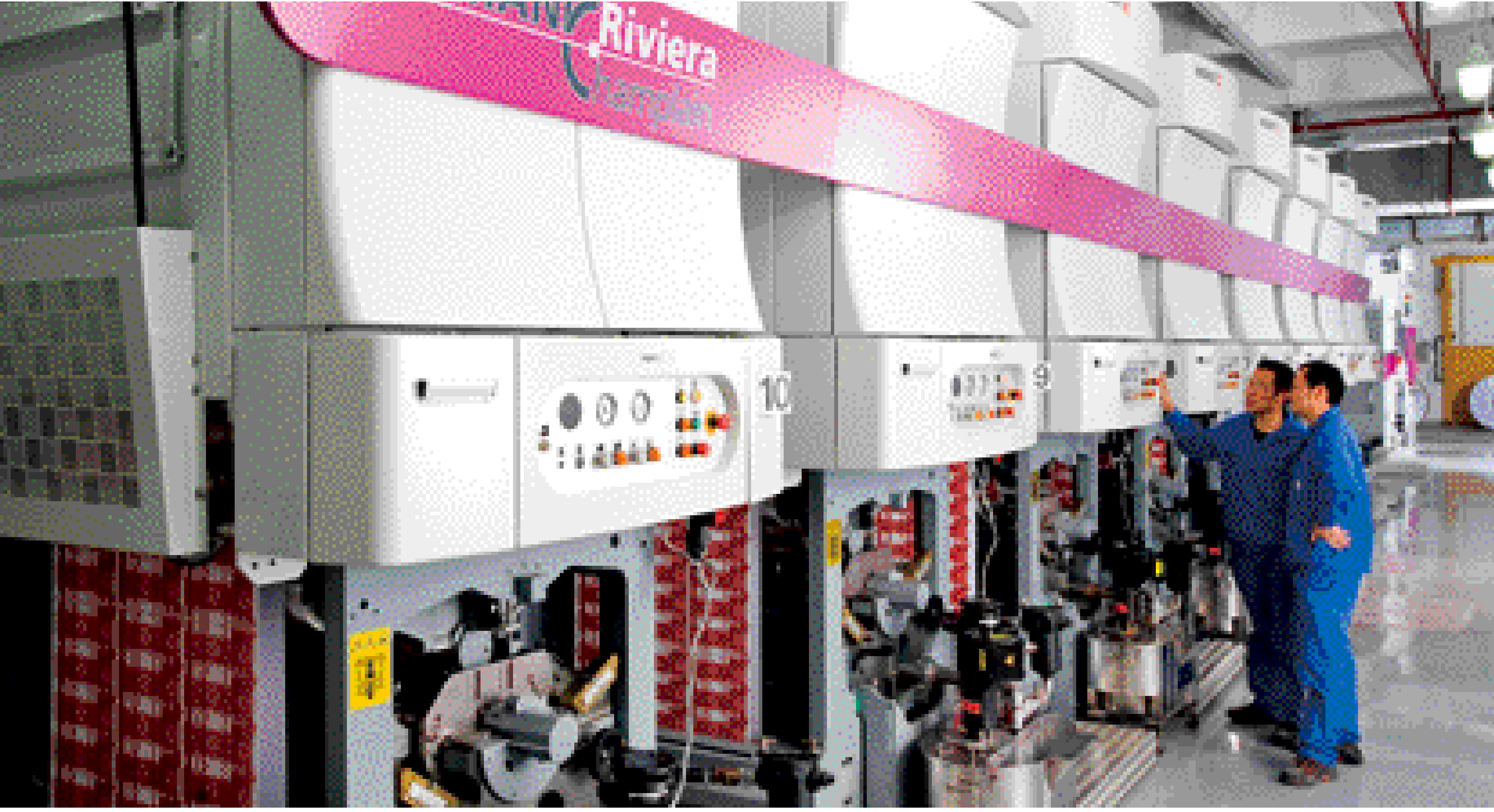
The Board adopted an employees' share award scheme ("Employees' Share Award Scheme") in June 2007, in addition to its share option scheme ("Share Option Scheme"). The purpose of these schemes is to integrate, motivate and reward key employees from the various operations to encourage them to deliver improved profit and other key performance indicators for the Group. The Board places the highest emphasis on the Group's human resource strategy. It believes in integrating acquired companies seamlessly to drive its growth strategy. The motivating and managing of its human capital is pivotal to creating and maintaining a market leadership position and maximising profit and shareholders' value on a sustainable basis in future.

Corporate Governance

The Board believes that a commitment to strong corporate governance is a key point of differentiation that ultimately translates to improved profit and value for shareholders. AMVIG's corporate governance practices and structures are fundamental to our culture of customer service excellence and maintaining our position as the largest tobacco packaging printing company in the PRC. The Board continues to review AMVIG's corporate governance framework and practices in place to ensure they meet the interests of shareholders.

AMVIG's Directors are ultimately responsible for the effectiveness of the Group's internal control environment. During the Reporting Period, the Group has invested further resources in strengthening its internal audit function and ensuring that as the Group continues to grow, all operations are being managed on a consistent basis with common reporting systems and key performance indicators.

In order to ensure that the Board functions effectively and carries out its responsibilities in relation to corporate governance practice, AMVIG believes that the Board should maintain an appropriate balance between executive Directors and NEDs. NEDs including independent non-executive Directors ("INEDs") account for more than half of the Board and each of the Board Sub-Committees is chaired by a NED or an INED, save and except that the Nomination Committee is headed by the Executive Chairman.



Capital Discipline

Capital discipline becomes even more important for an enlarged Group with a continued future growth agenda. One of the most important tasks in integrating new operations is to ensure they transition to the AMVIG reporting systems as quickly and efficiently as possible. This allows the Group to maintain a tight control on its management of cash that will help to deploy the capital to maximise returns for shareholders. During the Reporting Period, the Group continued to generate strong operating cash flows and with the expected full year contribution from Brilliant Group in 2008, this trend is expected to continue.

Safety and Environmental Policy

AMVIG recognises that our activities inevitably have an impact on the environment. Consequently we embrace the principles of sustainable development and are committed to a process of continual environmental improvement and pollution prevention. We treat all relevant safety and environmental legislations and regulations as the minimum standard and seek to exceed standards wherever possible.

It is AMVIG's mission to operate in a manner that respects safety and the environment and to abide by the management principles mandated by the following initiatives:

- To ensure that employees are properly informed and properly trained to conduct their activities safely and in an environmentally responsible manner.

- To develop and improve operations and technologies, taking into consideration the efficient use of energy and raw materials, giving preference to renewable resources, minimising waste and adverse environmental impact, disposing of residual waste safely and responsively.
- To promote the adoption of the same principles by our contractors and suppliers.
- To develop and manufacture products and services that are safe for their intended use, energy-efficient, respect the environment and that can be recycled or disposed of safely.
- To participate in efforts to improve environmental protection and understanding of environmental problems.
- To set down stringent guidelines, using government requirements as a basis; and continuously improve these guidelines in light of technological advances and new environmental data.
- To take proactive measures to eliminate environmental, occupational and health risks and be prepared to respond to emergencies at all times.

Ensuring the safety and security of our employees is of paramount importance to the Board. Our safety performance will continue to improve across all sites - in frequency rates and in leading indicators of behaviors and leadership. Additionally, AMVIG is also committed to managing its operation in an environmentally responsible manner at all times.

Looking Ahead

As the largest tobacco packaging printing company in the PRC, AMVIG is well positioned to take advantage of expected continued future growth in the PRC economy and our industry and meet the challenges of an increasingly competitive environment. Growth in the economy, increasing prosperity and affluence and growth in tobacco consumption will likely continue to underpin strong demand for our products, especially for mid-high end and high end products. In this environment, AMVIG will continue to vigorously pursue its dual growth strategy of organic expansion and targeted expansion through Acquisition.

The Board and I believe that 2008 will be another exciting year for the Group's development. In particular, the foundation laid through cooperation with the Group's major strategic partners will help the Group to deliver another good results in 2008.

AMVIG will drive organic growth in each plant and look for vertical integration opportunities to continue to reduce cost and create synergies for the Group. The integration of Brilliant Group has greatly strengthened our market position and increased our competitiveness, the full-year impact of it will be fully reflected in 2008. Additionally, the expansion plan of Qingdao Plant is expected to bring additional contribution to the Group. The relocation of Shenzhen Plant and the new Dongguan Plant will reinforce the relationship with our major customers in the southern parts of the PRC as well as improving the efficiency of the amalgamated facilities.

AMVIG will continue to look for suitable growth opportunities to widen our customer base, seek new growth brands and acquire companies with the right cultural fit.

With world class advanced technologies, innovative technical support and vertical integration advantages, it will reinforce the Group's position as the leader in the tobacco packaging printing industry. This will further strengthen the partnership with China National Tobacco Corporation.

With our commitment to customer service excellence, the Company is well positioned to take on the challenge of the exciting years ahead. The Group will continue to remain as a dynamic player to achieve the planned growth and to maximise the return to our shareholders.

Chan Chew Keak, Billy
Executive Chairman

Hong Kong, 7 April 2008

Growth

To continuously maximise shareholders' value

Management Discussion and Analysis

Business Review

Management of AMVIG is delighted to report that 2007 represented another important year of development in AMVIG's history. Consistent with our vision and strategy, AMVIG is now the leading tobacco packaging printing specialist in the PRC with an estimated market share of approximately 17%.

As discussed in our 2007 interim report, we had established a solid platform in 2006 and it was important to build on this platform in 2007 to continue to maximise value for shareholders.

During the Reporting Period, the cigarette packaging printing industry enjoyed steady growth in terms of volume and also increased strongly in value as existing tobacco groups launched new series of their existing brands and increased the volume of their existing flagship brands.

After a faster than expected pace of industry consolidation in the past few years, it is expected that the existing tobacco groups will focus more on integration and product development in the current year. They are developing new facilities and equipment, launching new series of mid to high and high end products, improving the designs of cigarette packages, and focusing more on environmental friendly measurements. As an accredited "approved printing supplier" by seven of the top ten tobacco groups and the single largest supplier to six of the top ten brands, AMVIG is well placed to meet the needs of its customers as they embark on the next growth phase.

With the support from our customers together with the dedicated hard work from our people, we recorded a double digit growth across most of our plants in 2007.

During the Reporting Period, AMVIG further extended its manufacturing footprint in different regions of the PRC and this now comprises 14 manufacturing plants. This unique extensive manufacturing footprint allows AMVIG to better meet the needs of its customers throughout the PRC.

World Grand Plant again is our strongest growth driver this year as it continued to benefit from its strong relationships with its customers including, Hongyun Tobacco (Group) Co., Ltd ("Hongyun Group"). The Yunyan brand which is the top brand of Hongyun Group continues to contribute significant growth to the Group. The construction of the new Dongguan plant is a major expansion initiative to support another key customer, China Tobacco Guangdong Industrial Corporation. The new plant in Dongguan will not only enlarge the production capacity of the Group, allowing it to focus on developing the market in the southern part of the PRC, but also free up the existing production capacity for Hongyun Group's orders.

Nanjing Plant and Qingdao Plant also recorded solid growth in net profit and the growth in Nanjing Plant was particularly pleasing given the fact that there was no tax holiday in 2007.

Beijing Plant played an important role in our Group's sales and marketing strategy given its strategic location and strong sales team there. The Beijing Plant secured three new brands, namely Baisha, Hongjinlong and Pride, that will provide another growth driver for the operations in the coming years.

It is disappointing to report that Shenzhen Plant did not meet its budgeted results and was again below our expectations. Accordingly, during the Reporting Period, the Group decided to restructure the operation by strengthening internal controls, changing the management team and relocating the plant to Dongguan. The Group expects this will have a positive impact on profitability and that this will also stabilise quality and increase output.

The Acquisition enables the Group's cigarette packaging printing business to extend into other major provinces of the PRC including Hunan, Hubei, Anhui and Guizhou. It also complements the Group's strengths and creates a unique broad national footprint with the largest design and manufacturing capability, serving most of the top brands in the PRC. Brilliant Group is a well established and managed company with a team of talented and professional people and it complements to both our geographic coverage and product mix.

Although there was only part of its annual production output included in the Group's results in 2007, we are encouraged by the initial contribution from Brilliant Group. We are confident that with Brilliant Group, further business opportunities and integration benefits will flow in the coming years, and the Group will benefit further from the first full-year contribution that will be included in the Group's results for 2008.

We continue to monitor trends in raw material usage, particularly with the implementation of stringent environmental friendly measures by our customers. In support of this, AMVIG is the leader in the development of transfer paper to replace laminated paper.

In order to maintain our leadership position, especially in the areas of innovation and research and development, we worked on a number of initiatives in developing new material with special and anti-counterfeiting features so that all these can supplement our cigarette packaging printing business.

As the Group continues to expand, integration remains a top priority in our operations. During the Reporting Period, we have put a lot of emphasis on improving internal controls and process controls. Our standardised production and reporting systems enable us to more easily benchmark the relative performance of our plants. Furthermore, we strengthened our purchasing, inventory management, and disposals of scrap functions. With the joining of Brilliant Group, we believe we will benefit more from our integration across all of our plants and sharing of resources. Towards the end of 2007, we implemented several initiatives that aim to lower our material costs, improve our production efficiency, reduce our wastage, and reduce our operating costs, and we believe all these will have a positive full-year impact in 2008.

Financial review

Turnover

During the Reporting Period, the Group achieved a turnover of HK$2,132 million, representing an increase of HK$1,009 million or 90% as compared to last year. The management's adoption of a dual growth strategy of inorganic expansion through acquisitions and organic expansion through existing operations and marketing networks contributed to the Group's strong sales growth performance.

The Group benefited from the full-year contribution from World Grand Plant, Beijing Plant and Qingdao Plant, and the inclusion of part of the annual results of Brilliant Group.

Gross profit

Gross profit increased by 89% from HK$364 million in 2006 to HK$689 million in 2007, which was primarily a result of an expansion in the Group's operations. The Group continued to strive for improvements in product mix and internal coordination. Gross profit ratio maintained healthily at 32% which was comparable to that of last year, and has improved by two percentage points when compared to first half of 2007. Such improvement was mainly due to a larger contribution by World Grand Plant, which focuses on the production of high-end products.

Operating costs

Operating costs comprising administrative expenses, selling and distribution costs and other operating expenses increased from HK$151 million last year to HK$322 million in 2007. This was primarily attributable to the inclusion of a full-year expenses for the World Grand Plant, Beijing Plant and Qingdao Plant in the Reporting Period. The Group also incurred additional expenses in developing, maintaining, and growing its sales. General administrative expenses increased in line with the Group's commitment to proper corporate governance practices and to strengthen the internal management and control function. As a percentage of sales, operating costs increased slightly from 13% in 2006 to 15% in 2007.

Other income

Other income mainly comprised interest income, sales of scrapped materials and fair value gains on financial assets at fair value through profit or loss.

Interest income increased in line with the increase in cash and bank balances as a result of an increase in the Group's operating cash flow and the availability of bank borrowings.

Fair value gains on financial assets at fair value through profit or loss mainly represent the revaluation gain on the Company's shares purchased for its staff pursuant to the Employees' Share Award Scheme during 2007.

Finance costs

Finance costs increased from HK$15 million in 2006 to HK$24 million in 2007. This was mainly attributable to the increased bank borrowings drawn down for the Acquisition.

Share of profit of associates

Share of profit of associates amounted to HK$71 million in 2007, an increase of 2% when compared to that of 2006.

Share of profit of associates in 2006 comprised share of net profit of Nanjing Plant, which is 48% owned by the Company, and Kunming Plant, which was 35% owned by the Company, during the period from January 2006 to April 2006. Starting from May 2006, Kunming Plant has become a wholly-owned subsidiary of AMVIG.

Share of profit of associates in 2007 comprised share of net profit of Nanjing Plant and Goldroc Plant. The Group acquired its 48.85% equity interest in Goldroc Plant in October 2007 through the Acquisition.

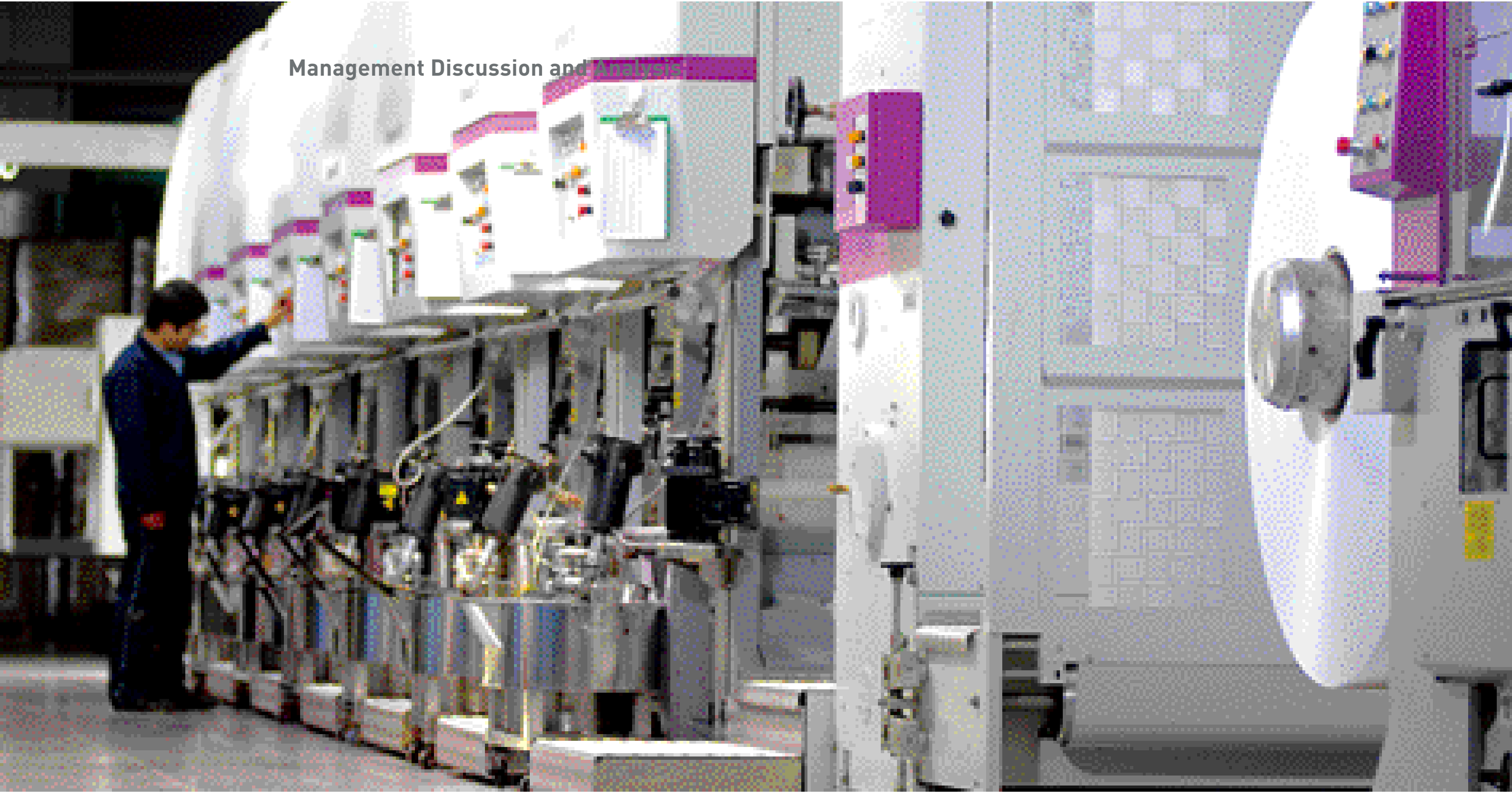
Nanjing Plant achieved significant sales and profit growth for the Reporting Period and the Group's share of its profit increased by 7% from HK$46 million in 2006 to HK$49 million in 2007 as the Group benefited from the strong performance of its two major customers, Nanjing Cigarette Factory and Huaiyin Cigarette Factory. The consolidation in the China Tobacco Jiang Su Industrial Corporation has been beneficial to the Nanjing Plant and it still maintains the leading position in this province.

Net profit and profit attributable to equity holders of the Company

The Group's net profit for the year rose by 50% to HK$400 million from HK$267 million for last year. Profit attributable to equity holders of the Company increased by 41% to HK$354 million as compared to last year. The increase was due to a combination of organic growth and the growth in sales resulting from the full-year contribution from World Grand Plant, Beijing Plant and Qingdao Plant and the inclusion of part of the Brilliant Group's annual results.

Segmental information

During 2007, turnover from cigarette packaging printing amounted to HK$1,831 million, a year-on-year increase of HK$946 million and accounted for 86% of the Group's turnover. The high growth recorded in the cigarette packaging printing segment was principally due to the inclusion of full-year contribution from World Grand Plant, Qingdao Plant and Beijing Plant, as well as contribution from Brilliant Group since its acquisition.



Turnover of transfer / laminated paper and laser film manufacturing amounted to HK$302 million, representing an increase of 27% as compared to last year and accounted for 14% of the Group's turnover. Total turnover of transfer / laminated paper and laser film manufacturing, inclusive of sales to internal parties, eliminated on consolidation, amounted to HK$430 million. Nearly 79% of the transfer / laminated paper and laser film was for internal use including associates, especially to support Kunming Plant, Nanjing Plant and Goldroc Plant productions and only 21% was for sales to external customers.

Financial position

As at 31 December 2007, the total assets of the Group amounted to HK$6,784 million and its total liabilities (excluding minority interests) amounted to HK$2,691 million, representing an increase of HK$3,960 million and HK$2,165 million respectively as compared to previous year. The increase in total assets was mainly attributable to the Acquisition during the year. Aligned with this, total liabilities also increased, primarily due to additional bank borrowings acquired from Brilliant Group and the bank loans drawn to fund the Acquisition.

Borrowings and banking facilities

As at 31 December 2007, the Group had gross interest-bearing borrowings of approximately HK$1,492 million (2006: HK$103 million), representing an increase of HK$1,389 million over the previous year.

28% of the interest-bearing borrowings are secured. 24%, 34% and 42% of the interest-bearing borrowings are denominated in Renminbi, Hong Kong Dollars and United States Dollars, respectively. All interest-bearing borrowings are at floating interest rates. However, taking into account the cross currency swaps entered into with a view to hedge both the interest rate risks and currency risks of certain long-term interest-bearing borrowings, 95% and 5% of the interest-bearing borrowings are denominated in Renminbi and Hong Kong Dollars respectively, and 29% of the interest-bearing borrowings are at floating interest rate. The maturity profile of the Group's gross interest-bearing borrowings is as follows:

	As of 31 December 2007 HK$'000	As of 31 December 2006 HK$'000
Bank borrowings		
— within 1 year	**374,423**	89,846
— between 1 and 2 years	**509,976**	7,608
— between 2 and 5 years	**607,907**	5,753
Total borrowings	**1,492,306**	103,207
Less: Cash and cash equivalents	**(811,038)**	(336,963)
Net interest-bearing borrowings	**681,268**	(233,756)

Capital Structure

As at 31 December 2007, the Group had net assets of approximately HK$4,093 million comprising non-current assets of approximately HK$4,660 million (comprising property, plant and equipment of approximately HK$1,154 million, non-current portion of prepaid land lease payments of approximately HK$41 million, goodwill of approximately HK$2,752 million, interest in associates of approximately HK$321 million, financial assets at fair value through profit or loss of approximately HK$320 million, available-for-sale financial assets of approximately HK$1 million, other financial assets of approximately HK$20 million and deposits for purchase of plant and equipment of approximately HK$51 million), net current assets of approximately HK$773 million and non-current liabilities of approximately HK$1,340 million.

Gearing ratio, measured by total interest-bearing borrowings less cash and cash equivalents as a percentage of equity, increased to 17%. The increase in gearing ratio was mainly due to additional bank borrowings acquired from Brilliant Group and the bank loans drawn to fund the Acquisition.

Charges on the Group's assets

As at 31 December 2007, assets of approximately HK$287 million (31 December 2006: HK$12.8 million) were pledged to banks in respect of banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2007, the Group did not have any significant contingent liabilities (31 December 2006: Nil).

Capital commitments

As at 31 December 2007, the Group had capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK$33 million (31 December 2006: HK$56 million).

Working capital

The current ratio decreased from 200% at last year end to 157% at 31 December 2007 due to the inclusion of short-term interest-bearing borrowings of HK$340 million acquired from Brilliant Group.

Foreign currency exposure

During 2007, the Group's business transactions were mainly denominated in United States Dollars, Hong Kong Dollars and Renminbi.

The Group entered into cross currency swap contracts with a view to hedge both the interest rate and currency risks of certain long-term interest-bearing borrowings drawn as discussed under the paragraph "Borrowings and banking facilities" above. Save as aforementioned, the Group does not currently have any other hedging activities against its foreign exchange 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.

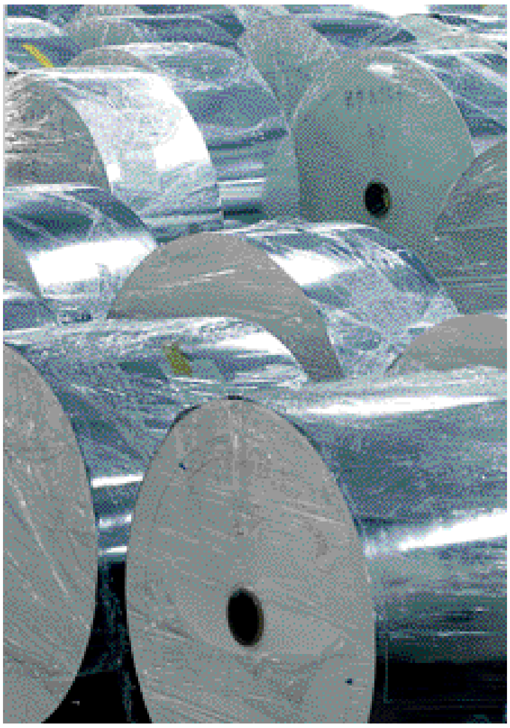
Remuneration Policies and Employee Information

The Group is committed to attracting and retaining employees of the highest calibre by offering competitive remuneration and benefits to its employees. As at 31 December 2007, the Group had over 4,928 full time employees in Hong Kong and the PRC. Total staff costs (including Directors' emoluments) amounted to approximately HK$175 million (2006: HK$96 million) during the Reporting Period. 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.

In addition to salaries, the Group provides staff benefits including medical insurance and contributions to staff provident funds. Share awards and bonuses are also available to employees of the Group at the discretion of the Directors and depending on the financial performance of the Group.

Material Acquisition

The Group completed the Acquisition in October 2007. The consideration for the Acquisition of HK$1,556 million was satisfied by the Company allotting and issuing 200 million new shares to Mr. Tsoi Tak and the payment of HK$156 million in cash. As a result of the Acquisition, Mr. Tsoi Tak has become the second largest shareholder of the Company while Amcor Limited remains the largest shareholder.



Directors and Senior Management's Profile

Executive Directors

Mr. Chan Chew Keak, Billy (曾照傑先生), aged 57, was appointed as Executive Chairman of the Group in April 2006. He oversees the overall management of the Group and development of corporate policies and strategies for development of the business. Mr. Chan has extensive management experience having held the position of Managing Director of Amcor Asia since 1995. He also holds various directorships and has direct responsibility for all Amcor's operations within Asia. Mr. Chan is a Chartered Engineer (UK) with a Master of Business Administration degree from University of Strathclyde in United Kingdom. He is a member of the Chartered Engineer Institution (UK) and also a member of the Royal Institution of Naval Architect. Mr. Chan is also the Chairman of the Nomination Committee of the Company.

Mr. Chan Sai Wai (陳世偉先生), aged 50, was appointed as the Vice Chairman of the Group in June 2007. Mr. Chan is the director of World Grand Holdings Limited and Kunming World Grand Colour Printing Co., Ltd.. Mr. Chan has been primarily responsible for overall management and operation of World Grand Holdings Limited and Kunming World Grand Colour Printing Co., Ltd. Mr. Chan graduated from The First School of Shantou City (汕頭市第一中學) in Guangdong Province, the People's Republic of China. Mr. Chan has been engaging in the trading of cigarette packaging business since 1982. Mr. Chan had been the Assistant Managing director of Yunnan Nine Nine Colour Printing Co., Ltd. since 1996 until he set up Kunming World Grand Colour Printing Co., Ltd. in 2002. Mr. Chan joined the Group in June 2006 and he is also a member of Risk Management Committee of the Company.

Mr. Lee Cheuk Yin, Dannis (李卓然先生), aged 37, is the Director of Operations, Qualified Accountant and Company Secretary of the Company and is responsible to oversee the operation of the production plants of the Group as well as financial and regulatory compliance of the Group. Mr. Lee is a first class honors graduate of Bachelor of Business Administration from Texas A & M University in the US and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Before Mr. Lee joined the Group in September 2001, he had worked in an international accounting firm and an international cigarette manufacturer. Mr. Lee is a non-executive director of some of the listed companies in Hong Kong. Mr. Lee is also a member of the Investment Committee and the Risk Management Committee of the Company.

Mr. Ng Sai Kit (吳世傑先生), aged 45, is the director of World Grand Holdings Limited and Kunming World Grand Colour Printing Co., Ltd. Mr. Ng has been primarily responsible for sales and marketing of World Grand Holdings Limited and Kunming World Grand Colour Printing Co., Ltd. Mr. Ng graduated from The First School of Shantou City (汕頭市第一中學) in Guangdong Province, the People's Republic of China. Mr. Ng has been engaging in the trading of cigarette packaging business since 1982. Mr. Ng had been the director of Yunnan Nine Nine Colour Printing Co., Ltd. since 1996 until he set up Kunming World Grand Colour Printing Co., Ltd. in 2002. Mr. Ng joined the Group in June 2006.

Non-Executive Directors

Mr. David John Cleveland Hodge, aged 48, has been working for Amcor Limited, the major Shareholder, for more than 12 years responsible for various corporate and business development in Asian, Australian, and global business. Prior to joining Amcor Limited, Mr. Hodge had been a merchant banker for 13 years. Mr. Hodge is a director of Bellgate International Limited and Beijing Leigh-Mardon Pacific Packaging Company Limited. Mr. Hodge holds a Bachelor of Economics and a Bachelor of Laws from Monash University in Melbourne, Australia. Mr. Hodge joined the Group in May 2006 and he is also a member of the Investment Committee of the Company.

Mr. Saw Kee Team, Alan (蘇旗添先生), aged 41, has 16 years of accounting and finance operations experience with leading information technology and global technology corporations, of which more than 12 years are held on managerial positions with focus on regional finance activities. Mr. Saw holds a Bachelor of Accountancy from Royal Melbourne Institute of Technology. He was qualified as a Certified Public Accountant of Australian Society Practising Accountants. Apart from being the non-executive Director, Mr. Saw is a director in Leigh-Mardon Pacific Packaging Pte Ltd., Leigh-Mardon Singapore Pte Ltd., Amcor Flexibles Singapore Pte Ltd. and Amcor Fibre Packaging-Asia Pte Ltd. He is also a finance director in Amcor Asia. He joined the Group in June 2007 and he is also the chairman of the Risk Management Committee of the Company.

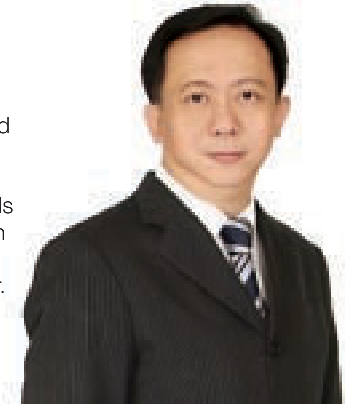
Independent Non-Executive Directors

Mr. Keith Tay Ah Kee (鄭基先生), aged 63, was the chairman and managing partner of KPMG Peat Marwick Singapore from 1984 to 1993 and concurrently the chairman of KPMG ASEAN and member of KPMG International Board and its Executive Committee. He served as the President of the Institute of Certified Public Accountants of Singapore from 1982 to 1992. He was the chairman of the Singapore International Chamber of Commerce from 1995 to 1997 and he continues to serve as a board member. He is a founder member and currently the Vice Chairman of the Singapore Institute of Directors. He has also served as Adjunct Professor in the School of Accountancy an Business of The Nanyang Technological University. Mr. Tay is a Fellow of the Institute of Chartered Accountants in England & Wales and he was awarded the First International Award by the Institute in 1988 for his contribution to the profession. He was conferred the Bintang Bakti Masharakat (Public Service Star) by the President of the Republic of Singapore in 1990. Mr. Tay is also serves on the boards of several public companies in Singapore; he is currently the Chairman of Aviva Ltd and Stirling Coleman Capital Ltd.

Mr. Tay was appointed as an independent non-executive Director in April 2006 and he is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.

Mr. Au Yeung Tin Wah (歐陽天華先生), aged 45, is the director of Lau & Au Yeung CPA Limited. Before starting his CPA practice in mid 1992, he worked in an international accountancy firm responsible for audit of a number of renowned listed companies in Hong Kong. He also acted as finance manager of Paramount Printing Group Limited (currently known as Next Media Limited), a listed company in Hong Kong and a sizeable private limited company in Hong Kong. Mr. Au Yeung is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of Society of Registered Financial Planners. Mr. Au Yeung was appointed as an independent non-executive Director in May 2006 and he is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

Mr. Oh Choon Gan (胡俊彥先生), aged 46, is currently the chief executive officer of a financial consultancy and advisory company specialising in initial public offering, fund raising and private equity investment. Mr. Oh has more than 15 years of commercial experience in financial management, business development, corporate finance and restructuring areas. Mr. Oh is a fellow member of the Chartered Association of Certified Accountants and a non-practising member of the Institute of Certified Public Accountants of Singapore. He also holds a diploma in business studies from Ngee Ann Polytechnic with major in accountancy. Mr. Oh is also an independent director of Zhonghui Holdings Ltd (a company listed on the Singapore Stock Exchange). Mr. Oh was appointed as an independent non-executive Director in May 2006 and he is the Chairman of the Investment Committee and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.



Senior Management

Mr. Tsoi Tak (蔡得先生), aged 54, is currently the chairman of the board of Brilliant Circle Holdings International Limited. Mr. Tsoi holds a university degree. From 1978 to 1982, he worked in the field of education in the PRC. He engaged himself in the printing of cigarette packages and books from 1990. Starting from 1995, he has established proprietorships, equity joint ventures and co-operative joint ventures in Hunan, Hubei, Yunnan, Anhui and Shenzhen.

Mr. Gao Pi Xing (高丕興先生), aged 56, is currently the chief executive officer of Brilliant Circle Holdings International Limited. Mr. Gao served as the general manager of Changde Furong Real Estate Management Company and Changde Goldroc Rotogravure Printing Co., Ltd. Mr. Gao is a member of the Communist Party of China. He has received tertiary education and is qualified as an electrical engineer.

Ms. Huang Xin Yi (黃新沂女士), aged 60, is currently the vice president of Brilliant Circle Holdings International Limited. Ms. Huang served as the financial controller of Changde Goldroc Rotogravure Printing Co., Ltd. and the chief accountant of Brilliant Circle Holdings International Limited. She has received tertiary education and is qualified as a senior accountant.

Mr. Qin Song (欽松先生), aged 36, is currently the vice president of Brilliant Circle Holdings International Limited. Mr. Qin was the general manager of Huizhou Bai Lu Travelling Enterprise Development Co. Ltd., and the sales director of Shenzhen Kecai Printing Co. Ltd.. Mr. Qin holds a university degree.

Mr. Yau Chung Hang (邱仲珩先生), aged 36, is currently the financial controller of Brilliant Circle Holdings International Limited and he has over 12 years of auditing and accounting experiences. Mr. Yau served as the financial controller of two Hong Kong listed companies. Mr. Yau holds a university degree and is a member of Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountant.

Mr. Liu Shun Fai (廖舜輝先生), aged 37, is the chief financial officer of the Group. He is responsible for the accounting, finance and treasury function of the Group. He graduated from the Chinese University of Hong Kong in 1992 and is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Liu has more than 15 years of auditing and accounting experiences. Before joining the Company in August 2007, Mr. Liu has been the financial controller and the qualified accountant of two listed companies in Hong Kong for 8 years. He has also worked in an international accounting firm for 7 years.

Mr. Cheung Chun Ming (張春明先生), aged 42, is the general manager of the Group. He is responsible for the human resources and administrative functions of the Group as well as the purchases of raw materials and machinery. Mr. Cheung graduated from Kiangsu Chekiang College and has over 20 years of working experience in international trading, sales and marketing. From 1984 to 1989, Mr. Cheung worked in a European marketing and distribution company in Hong Kong as a sales executive. From 1989 to 1995, Mr. Cheung worked in a Korean trading company in Hong Kong as a sales manager. From 1996 to 1997, Mr. Cheung worked as a property consultant in a property agency company. Mr. Cheung joined the Group in October 1997.

Mr. Guo Shu Guang (郭曙光先生), aged 41, is currently the general manager of Beijing Leigh-Mardon Pacific Packaging Co. Ltd. and the director of regional business (China) of the Group. He holds a Degree in Accounting from Renmin University of China in 1997. He also holds a degree in Business Administration of Industry from Beijing Institute of Petrochemical Technology in 1990. From 1990 to 1997, Mr. Guo worked in a lubricating oil company as a sales manager. From 1997 to 1998, he worked in a food product company as a general manager. He joined Beijing Leigh-Mardon Pacific Packaging Co. Ltd. since 1998 and was promoted to general manager in May 2006.

Mr. Zhu Cheng Jian (朱成健先生), aged 44, is the director of Nanjing Sanlong Packaging Co. Ltd.. Mr. Zhu joined Nanjing Sanlong Packaging Co. Ltd. when it was incorporated in April 1998 and he is primarily responsible for overall production and technical affairs of Nanjing Sanlong Packaging Co. Ltd.. From 1983 to 1998, Mr. Zhu had worked in a machinery manufacturing company and a lighting manufacturing company, both in Siyang, the PRC, as a factory manager.

Mr. Song Wei Dong (宋衛東先生), aged 53, is the assistant director of Nanjing Sanlong Packaging Co. Ltd.. Mr. Song joined Nanjing Sanlong Packaging Co. Ltd. when it was incorporated in April 1998 and is primarily responsible for overall management, administration and corporate affairs of Nanjing Sanlong Packaging Co. Ltd.. Mr. Song holds a degree in Management from the Jiangsu Radio and Television University. Before 1998, Mr. Song worked in a garment manufacturing factory and a pharmaceutical company, both in Siyang, and a printing company in Qingdao, the PRC.

Mr. Boh Sang Pang, Derrick (莫昌滂先生), age 51, is currently the general manager of Qingdao Leigh-Mardon Packaging Co., Ltd. He graduated from Technical Institute of Singapore in Mechanical and has over 25 years of working experience in engineering industry. From 1982 to 1988, Mr. Boh worked as an engineer in several international companies in Singapore. He worked in Amcor's Asia operations since 1989 and was appointed as a general manager in Qingdao plant in March 2003.

Mr. Michael Tam (譚穗雄先生), aged 40, is the director and the executive general manager of Victory Honest Industries (Shenzhen) Co. Ltd.. He is mainly responsible for the overall management, administration and corporate affairs of Victory Honest Industries (Shenzhen) Co. Ltd.. Mr. Tam completed his tertiary education in 1989 and prior to joining the Group. He has worked on various managerial positions of several paper products and printing companies. Mr. Tam joined the Group in November 2005.

Transparency

To maintain good corporate governance practices and procedures is fundamental to the smooth, effective and transparent operation of a company.

Corporate Governance Report

Introduction

AMVIG is committed to the maintenance of strong corporate governance practices and procedures. The Company recognises that corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and enhance shareholders' value.

Code on Corporate Governance Practices

During the year ended 31 December 2007, the Company has complied in general with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This report summarises the Company's corporate governance practices and structures that were in place during the financial year.

Board Matters

Board's Conduct of its Affairs

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Board assumes responsibility for the Company's overall strategic direction, key operational initiatives, major funding and investment proposals, monitoring the operational and financial position and performance, and corporate governance practices. The Board is also responsible for approving and, where appropriate, removing the Chief Executive Officer, approving other key executive appointments and succession planning. The Board also provides leadership and guidance to management. The Company has in place financial authorisation and approval limits for capital expenditures as well as acquisitions and disposal of investments. Within these guidelines, the Board approves transactions above certain thresholds. The Board also approves the annual budget and the financial results for release to The Stock Exchange of Hong Kong Limited ("HKSE").

Whilst responsibility for the day to day management of the Group's operations is delegated to the Chief Executive Officer, the Board fulfils an important function in assurance related activities to protect the interests of shareholders. This includes establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis; the Board is kept informed of relevant matters to enable it to effectively discharge its responsibilities; and appraising and reviewing internal compliance procedures.

Various Board committees were formed to assist in the execution of the Board's responsibilities.

The Board is supported by:

- The Audit Committee
- The Nomination Committee
- The Remuneration Committee
- The Investment Committee and
- The Risk Management Committee.

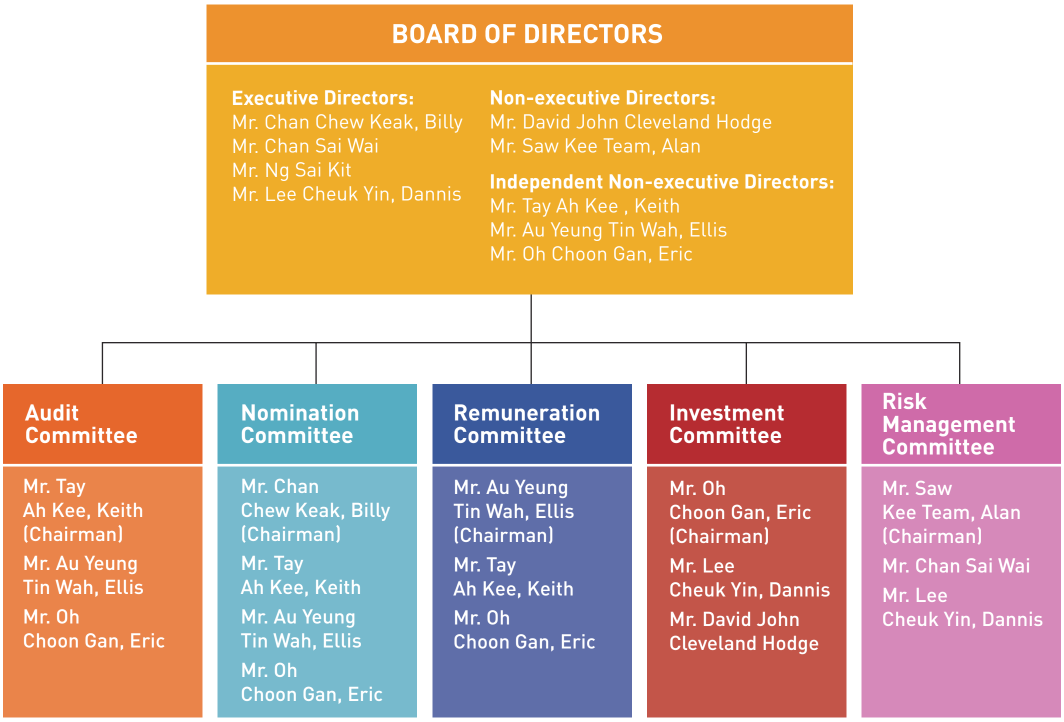
The Board meets periodically at least four times a year and meets as and when warranted by particular circumstances between the scheduled meetings. In the financial year ended 31 December 2007, a total of eight Board meetings was held. The attendance of the Directors at Board meetings and Board committee meetings, as well as the frequency of such meetings, are disclosed in this report.

Board Composition and Guidance

The Nomination Committee's main focus is to ensure that the size of the Board is effective for balanced discussions and decision-making. It also has the responsibility that the Board has an appropriate balance of independent Directors, with a mix of business experience in relevant disciplines.

There have been certain changes of directorship during the year. Mr. Chan Sai Wai, has been re-designated as the Vice-Chairman of the Group in June 2007. Mr. Saw Kee Team, Alan was appointed as a NED to fill the casual vacancy of Mr. Peter Roderick Downing with effect from June 2007. Mr. Li Wei Bo ceased to be a Director on 30 April 2007. Mr. Li Shui Dang resigned on 7 April 2008.

The Board now comprises nine Directors including four executive Directors, two NEDs, and three INEDs. The composition of the Board and representation on Board committees are set out below:



Executive Directors:

Mr. Chan Chew Keak, Billy *(Chairman of the Board and Chairman of Nomination Committee)*
Mr. Chan Sai Wai *(Vice-Chairman)*
Mr. Ng Sai Kit
Mr. Lee Cheuk Yin, Dannis

Non-executive Directors:

Mr. David John Cleveland Hodge
Mr. Saw Kee Team, Alan *(Chairman of Risk Management Committee)*

Independent non-executive Directors:

Mr. Tay Ah Kee, Keith *(Chairman of Audit Committee)*
Mr. Au Yeung Tin Wah, Ellis *(Chairman of Remuneration Committee)*
Mr. Oh Choon Gan, Eric *(Chairman of Investment Committee)*

The diversity of experience brought by Directors covers a range of industry knowledge, expertise and experience in areas such as accounting, finance and business and operation management. The diversity of the Directors' experience provides useful exchange of ideas and views to ensure that decisions are made with a more balanced judgement.

All NEDs (including INEDs) of the Company have been appointed for a term of two years from the date of their appointments. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Articles of Association.

The Nomination Committee reviews the independence of each Director. It considers a Director as independent if he has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

Other than (i) Mr. Chan Chew Keak, Billy, Mr. David John Cleveland Hodge and Mr. Saw Kee Team, Alan, who are senior management of Amcor Asia, and (ii) Mr. Chan Sai Wai who is the brother of Mr. Ng Sai Kit, there is no financial, business, family or other material or relevant relationship among the Directors.

The biographical details of the Directors are set out on pages 30 to 35 of this annual report.

Chairman and Chief Executive Officer

The Company does not have a separate Chairman and Chief Executive Officer and Mr. Chan Chew Keak, Billy currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership especially when the Company is in the growth phase as it will allows for more effective planning and execution of long-term business strategies and enhances the efficiency of decision-making process in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of management. The Board continually reviews the effectiveness of the Company's corporate governance structure to assess whether any changes are necessary.

Board Membership

The Nomination Committee reviews and assesses candidates for directorships (including executive directorships) before making recommendations to the Board. In recommending new directors to the Board, the Nomination Committee normally considers the skills and experience required and the current composition of the Board, and ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability.

All newly appointed Directors will be provided with an induction so as to ensure that he/she has an appropriate understanding of the business and operations of the Company, and of the responsibilities and obligations under the Listing Rules, and other relevant regulatory requirements.

Access to Information

The Company is committed to a culture of openness and transparency in the preparation and reporting of all information necessary to operate and manage the business, and comply with statutory and other obligations.

Management provides to the Board relevant information and comprehensive analysis pertaining to matters to be brought before the Board for discussion and decision. Management also provides regular reports on the Company's financial performance and operations to the Board. The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary attends to all corporate secretarial and compliance matters and also attends all Board meetings to record all proceedings. There are procedures in place to assist Board members to seek independent professional advice, where appropriate, at the expense of the Company in fulfilling their responsibilities.

Board and Management Committees

The Board has established various Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the Investment Committee and the Risk Management Committee to assist itself in the execution of its duties. In considering the composition of the membership in differents committees, several key factors are taken into account, such as equitable distribution of responsibilities among Board members, promotion of active participation and maximisation of the effectiveness of different committees.

Nomination Committee

The Nomination Committee comprised Mr. Chan Chew Keak, Billy (Chairman), Mr. Au Yeung Tin Wah, Ellis, Mr. Tay Ah Kee, Keith and Mr. Oh Choon Gan, Eric.

The responsibilities of the Nomination Committee include the following:

- reviews and assesses candidates for directorships (including executive directorships) before making recommendations to the Board for appointment of Directors;
- reviews and recommends to the Board the retirement and re-election of Directors in accordance with the Company's Articles of Association;

- reviews the composition of the Board to ensure that the Board has an appropriate balance of independent Directors and to ensure an appropriate balance of expertise, skills, attributes and ability among the Directors;

- reviews the independence of Directors;

- reviews the composition of the boards of subsidiary and associated companies and where appropriate, provides guidance on the appointment of suitable directors to those companies; and

- oversees the selection, appointment and succession planning processes for the Company's Chief Executive Officer and senior executives.

During the year, the Nomination Committee had recommended the re-designation of Mr. Chan Sai Wai as the Vice-Chairman of the Group in recognition of his contribution to the Group. Mr. Saw Kee Team, Alan is also recommended to be the NED to replace the retirement of Mr. Peter Roderick Downing. These changes took effect in June 2007.

The Nomination Committee held one meeting during the financial year.

Remuneration Committee

The Remuneration Committee comprised Mr. Au Yeung Tin Wah, Ellis (Chairman), Mr. Tay Ah Kee, Keith and Mr. Oh Choon Gan, Eric.

The Remuneration Committee held four meetings during the financial year.

The key responsibilities of the Remuneration Committee are stated in the Remuneration Report that is set out in this report on pages 51 to 57.

Audit Committee

During the financial year, the Audit Committee comprised the three INEDs: Mr. Tay Ah Kee, Keith (Chairman), Mr. Au Yeung Tin Wah, Ellis and Mr. Oh Choon Gan, Eric.

The main responsibilities of the Audit Committee include the following:

- assists the Board in discharging its statutory responsibilities on financial and accounting matters;

- reviews the audit plans and reports of the external auditors and internal auditors and considers the effectiveness of the actions taken by management on the auditors' recommendations;

- appraises and reports to the Board on the audits undertaken by the external auditors and the adequacy of disclosure of information;

- reviews the cost effectiveness of the audit and the independence and objectivity of the external auditors; and

- reviews connected party transactions, as defined under the Listing Rules.

The Audit Committee has explicit authority to investigate any matters within its terms of reference and has full access to and cooperation from management, in addition to its direct access to the external auditors. If required, the Audit Committee has authority to seek external resources to enable it to discharge its functions properly, including obtaining legal or other professional advice and services. The Audit Committee held five meetings during the financial year.

Internal Audit performs detailed work to assist the Audit Committee in the evaluation of material internal controls of the Group. The external auditors, in the course of conducting their normal audit procedures on the statutory financial statements of the Company, also review the Company's material internal controls to the extent of their scope as laid out in their audit plan. Material internal control weaknesses noted, if any, by the auditors and their recommendations are reported to the Audit Committee. Management is required to respond and to take appropriate actions.

The Audit Committee has reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal controls.

The Audit Committee has also reviewed the interim financial statements and the annual financial statements of the Group for the financial year ended 31 December 2007 as well as the auditors' reports thereon. Connected party transactions of the Group in the financial year have been reviewed by the Audit Committee; in cases of practical difficulties, the Audit Committee provides guidance to management to assist in their resolution. Appropriate disclosure is made in the annual report.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

Investment Committee

The Investment Committee comprised Mr. Oh Choon Gan, Eric (Chairman), Mr. David John Cleveland Hodge and Mr. Lee Cheuk Yin, Dannis.

The main responsibilities of the Investment Committee include the following:

- considers and approves strategic and portfolio investments and divestments within certain prescribed thresholds;
- reviews the Company's investment and treasury policies; and
- manages the Company's Group's assets and liabilities in accordance with the policies and directives of the Board.

The Investment Committee held one meeting during the financial year.

Risk Management Committee

The Risk Management Committee comprised Mr. Saw Kee Team, Alan (Chairman), Mr. Chan Sai Wai and Mr. Lee Cheuk Yin, Dannis.

The main responsibilities of the Risk Management Committee include the following:

- oversees the establishment, implementation, and ongoing review of the Company's risk management;
- reviews the overall risk management system and process and makes recommendations on changes as and when considered appropriate, having regard to costs and benefits; and
- reviews the Company's material risk exposures and evaluates the adequacy and effectiveness of the mitigating measures implemented by management.

A formal risk management framework for assessing, monitoring and managing strategic, operational and financial risks is in place.

The Risk Management Committee held one meeting during the financial year.

The Risk Management Report is set out in this report on pages 65 to 67.

Attendance at Board and Board Committee Meetings

The attendance of each Director at Board meetings and Board committee meetings during the financial year ended 31 December 2007 was as follows:

	BOARD	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	INVESTMENT COMMITTEE	RISK MANAGEMENT COMMITTEE
Number of Meetings Held	8	5	1	4	1	1
Name of Directors						
Executive Directors						
Mr. Chan Chew Keak, Billy	8/8	–	1/1	–	–	–
Mr. Chan Sai Wai	7/8	–	–	–	–	1/1
Mr. Ng Sai Kit	6/8	–	–	–	–	–
Mr. Lee Cheuk Yin, Dannis	7/8	–	–	–	1/1	1/1
Non-Executive Directors						
Mr. David John Cleveland Hodge	8/8	–	–	–	1/1	–
Mr. Saw Kee Team, Alan (1)	4/4	–	–	–	–	1/1
Independent Non-executive Directors						
Mr. Tay Ah Kee, Keith	8/8	5/5	1/1	4/4	–	–
Mr. Au Yeung Tin Wah, Ellis	7/8	5/5	1/1	4/4	–	–
Mr. Oh Choon Gan, Eric	6/8	4/5	1/1	4/4	1/1	–
Former Directors						
Mr. Li Wei Bo (2)	2/3	–	–	–	–	–
Mr. Peter Roderick Downing (3)	3/4	–	–	–	–	–
Mr. Li Shui Dang (4)	4/8	–	–	–	–	–

Notes:

(1) Mr. Saw Kee Team, Alan was appointed as NED with effect from 13 June 2007.

(2) Mr. Li Wei Bo ceased to be a Director of the Company with effect from 30 April 2007 as his proposed re-election at the annual general meeting was defeated.

(3) Mr. Peter Roderick Downing has resigned as NED with effect from 13 June 2007.

(4) Mr. Li Shui Dang has resigned as Director on 7 April 2008.

Management and Staff

The task of AMVIG's Management and Staff is the successful implementation of the strategies and directions as determined by the Board. They must apply business principles and ethics that are consistent with those expected by the Board and AMVIG's shareholders.

Accountability

The Board has overall responsibility to shareholders for ensuring that the Company is managed and guided by its strategic objectives. In presenting the Company's annual and interim financial statements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. Management provides the Board with management accounts and other financial statements on a regular basis.

Internal Controls

The Board recognises the importance of the establishment and maintenance of a sound system of internal control and the review of its effectiveness in order to safeguard the shareholders' investment and the Group's assets.

(a) Review on Internal Control System

The Group's system of internal control consists of various policies, procedures and control activities designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The sound system of internal control is developed to safeguard the Group's assets and resources against unauthorised use or disposition, ensure the transactions are executed in accordance with management's authorisation, ensure the accounting records are reliable for preparing financial information internally and publicly and ensure compliance with applicable laws and regulations.

The Audit Committee has reviewed, with the assistance of the internal auditors and external auditors, the effectiveness of the system of internal control of the Group. Accordingly, the Board is satisfied that there were no significant internal control deficiencies, weaknesses or areas of concern identified during the year which might affect shareholders.

(b) Management of Internal Audit Function

The Group has its Internal Audit Department to assist the Board to independently review the Group's internal controls throughout the year ended 31 December 2007. During the year, the Group has invested additional resources in strengthening its Internal Audit Department.

Internal Audit Charter

The mission, objectives, accountability, responsibility, independence and authority of the Internal Audit Department are clearly stated in a written Internal Audit Charter, which is approved and periodically reviewed by the Audit Committee.

Reporting Structure

The Internal Audit Department reports directly to the Chairman of Audit Committee, although it also reports administratively to the Chairman. The Internal Audit Department brings appropriate matters identified during the course of audits to the Audit Committee's attention and also has the rights to consult the Audit Committee without reference to the management. This reporting structure allows the Internal Audit Department to maintain its independence.

Internal Audit Plan

Annual internal audit plan for the Group is formulated based on the results of the annual assessment of risks and review of internal control. The annual internal audit plan so formulated is reviewed by the Audit Committee. In addition to the annual internal audit plan, Internal Audit Department also conducts other projects and investigations as may be required.

Ongoing Internal Control Review

The Internal Audit Department adopts a risk and control based audit approach in assessing the adequacy and effectiveness of the Group's system of internal control on an on-going basis.

During the year, the Internal Audit Department has assisted the Board to conduct an internal control review to identify significant risks faced by the Group and evaluate the existing internal controls to mitigate these risks.

(c) Controls on Price-sensitive Information

In respect of procedures and internal controls for the handling and dissemination of price-sensitive information, a mechanism has been established to identify, analyse and disclose any material price-sensitive information with reference to the "Guide on disclosure of price-sensitive information" issued by the Hong Kong Exchanges and Clearing Limited. Besides, the Group's employee handbook contains the general prohibition from disclosing such information to persons who do not have a demonstrable need to know the information. Group staff are required to acknowledge the receipt and comply with all the contents contained in the employee handbook.

Responsibilities in Respect of Financial Statements

The Directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 80 to 81 of this report.

Auditors' Remuneration

RSM Nelson Wheeler has been re-appointed as the Company's external auditor by shareholders at the 2007 annual general meeting until the conclusion of the coming annual general meeting. They are primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the year, the total remuneration payable to the Company's external auditor amounted to approximately HK$11 million of which approximately HK$4 million was incurred for statutory audit and approximately HK$7 million was incurred for non-audit services.

Communication with Shareholders

The Company believes in engaging in regular, effective and fair communication with shareholders and is committed to conveying important and relevant information to shareholders on a timely basis.

The Company takes care to ensure that information is made publicly available on a timely basis. Disclosure of information is made through announcements to the HKSE, the Company's annual and interim reports, press releases, as well as the corporate website (www.amvig.com) which has a dedicated investor relations section.

Greater Shareholders' Participation

The Company believes in encouraging shareholders' participation at general meetings. The Company's Articles of Association allows a shareholder entitled to attend and vote to appoint a proxy who need not be a shareholder of the Company to attend and vote at general meetings.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained at each general meeting. Whenever voting by way of a poll is demanded, the detailed procedures for conducting a poll will be explained at the meeting.

Results on any voting conducted by poll will be published in an announcement to be issued on the business day following the general meeting.

Dealings in Securities

The Company has adopted a code of conduct governing securities transactions by Directors on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, each of them confirms that he has complied in full with the Model Code regarding Directors' securities transactions for the year ended 31 December 2007.

Performance

To ensure that remuneration is appropriate and aligns with the Company's goals, objectives and performance.

Remuneration Report

It is the Company's policy to ensure that remuneration is appropriate and aligns with the Company's goals, objectives and performance. This remuneration report sets out the Group's policy on the remuneration of Chairman, executive Directors and NEDs, together with details of Directors' remuneration packages for the financial year 2007. This Remuneration Report has been reviewed and approved by the Remuneration Committee of the Company and the detail is set out on pages 51 to 57.

1. Introduction

Year 2007 has been an important year of development for AMVIG as it strives to become the largest tobacco packaging printing specialist in the PRC. After the completion of the Acquisition, AMVIG has become the largest operator in the industry. This is an important key performance indicator ("KPI") in assessing the effectiveness of the Board and management. The Group's remuneration package and policies have been revised accordingly. We are pleased to report that these policies have been implemented smoothly in 2007 and refinement may be made to improve on this in the coming years. Below are the key parts of the remuneration policies.

We appreciate that the fair measurement of performance and effective design of Incentive System is crucial for the success in a performance-driven organisation. Thus, the remuneration policies are designed with a view to establish an effective framework against which to evaluate and reinforce performance of the Chairman and executive Directors.

Regarding NEDs, in view of their complex and demanding roles as well as heavy workload, the remuneration package for the NEDs or INEDs has been revised to fairly reflect their qualification, professional experiences, time spent and workload. After a series of discussions, the revised remuneration packages were finally approved by the Board of Directors. The final remuneration figures have to be approved by the shareholders.

Full details of the Chairman's, executive Directors' and NEDs' remuneration are set out in the report that follows.

2. Remuneration Committee

The Remuneration Committee has been set up since 2006 to review both the remuneration structure and package of the senior management and NEDs.

Tasks

The committee's tasks are:

- to review and determine, on behalf of the Board of Directors, the Broad policies for executive remuneration and to report on those to the shareholders;

- to revise and recommend to the Board, the remuneration system for the NEDs; and
- to monitor the implementation of remuneration policies being applied by the Company.

Market practice reviews on the remuneration packages of the Chairman, executive Directors and NEDs were performed again in 2007 to ensure the continuance of a fair, cost effective and competitive remuneration system to attract, motivate and keep top quality executives. Comparison between the present remuneration package of AMVIG and the prevailing market practice in Hong Kong was made and related recommendations were proposed to the Board of Directors for their consideration and approval.

Constitution and operation

The committee comprises solely INEDs and is chaired by Mr. Au Yeung Tin Wah, Ellis. The other members are Mr. Tay Ah Kee, Keith and Mr. Oh Choon Gan, Eric.

The committee held four meetings in the period under review. There was a full attendance record of all members. The committee has reported to the Board on its activities after each meeting. The Terms of Reference of the Committee is available at Room 1803-04, 18/F, Li Po Chun Chambers, No. 189 Des Voeux Road Central, Hong Kong.

The committee is accountable to the shareholders through its annual report on executive Directors' remuneration and the opinions of shareholders are taken into account when making decisions. The committee values its communications with major shareholders on remuneration matters.

3. Remuneration Policy

The main elements of the Company's remuneration policies are:

- no individual should determine his or her own remuneration.
- remuneration should be broadly aligned with companies with whom the Company competes for human resources.
- remuneration should reflect performance, complexity and responsibility so as to attract and retain high calibre individuals.
- motivate Directors to achieve challenging performance levels.
- align executive rewards with shareholders' value.
- recognise both individual and corporate achievement.

4. Remuneration Principles for Executive Directors in 2007

The committee has followed the remuneration policy and system established in 2006 on proposing remuneration packages of executive Directors for the Board's consideration and approval. Furthermore, the result of the benchmark comparison of remuneration package of executive Directors of comparable listed companies in 2007 has also been taken into consideration.

The committee seeks to ensure tying the remuneration for top management with their performance and the Company's operating results by structuring remuneration packages to include both fixed and variable components.

The following key principles guide its policy:

- policy for the remuneration of executive Directors will be determined and regularly reviewed by the Remuneration Committee which will set the tone for the remuneration of other senior executives.

- the remuneration structure will support and reflect AMVIG's stated purpose to maximise long-term shareholders' value.

- the remuneration structure will reflect a fair system of rewards for the participants.

- the remuneration will be based on the fixed compensation, performance bonus and pension arrangement. The performance bonus will be linked to the achievement of demanding performance targets that are independently set and reflect the creation of long-term shareholders' value.

- a performance share scheme will be developed in order to align executive and shareholders' interests.

- certain KPIs, which can be quantitative and qualitative, will be set objectively by the management within a framework that is approved by the Remuneration Committee to evaluate the performance of Directors.

- remuneration policy and practices will be as transparent as possible, both for participants and shareholders.

The remuneration package consists of fixed compensation, performance bonus and pension arrangement in which the performance bonus is suggested to play a more significant part in individual rewards as part of the policy to attract, motivate and retain high performing individuals. The three components of executive Directors' remuneration are as follows:

I. Fixed Compensation

Fixed compensation includes base salary, allowances and benefits-in-kind. Base salary and allowances are set and reviewed annually for each Director taking into consideration the competitive market position, market practice, and the Company's and individual's performance.

II. Annual Incentive Program

The levels of performance bonus are set by the Remuneration Committee. No executive Directors serve on the committee. The annual incentive can be paid in form of performance bonus as determined by the Board.

III. Long-term Incentive

The executive Directors are recommended to take part in the long-term Incentive Plan ("LTIP"). The LTIP will be designed to align the interests of the executive Directors with those of the shareholders by an award in the form of performance shares that is linked with shareholders' value.

5. Remuneration for Executive Directors

The remuneration paid to the executive Directors of the Company was shown below:

For the year ended 31 December 2007	Fees HK$'000	Salaries and other benefit HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Chan Chew Keak, Billy *(The Chairman)*	491	–	–	–	491
Mr. Chan Sai Wai	–	2,000	2,400	12	4,412
Mr. Ng Sai Kit	–	1,500	1,800	12	3,312
Mr. Lee Cheuk Yin, Dannis	–	1,250	500	12	1,762
Mr. Li Wei Bo (1)	–	616	–	27	643
Mr. Li Shui Dang (2)	–	514	–	–	514
	491	5,880	4,700	63	11,134

Notes:

(1) Mr. Li Wei Bo was not re-elected by the majority shareholder by way of a poll as Director at the Annual General Meeting on 30 April 2007.

(2) Mr. Li Shui Dang has resigned as Director on 7 April 2008.

For the year ended 31 December 2006	Fees HK$'000	Salaries and other benefit HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Chan Chew Keak, Billy					
(The Chairman)	339	–	–	–	339
Mr. Chan Sai Wai (1)	–	910	1,800	7	2,717
Mr. Ng Sai Kit (1)	–	630	1,350	7	1,987
Mr. Lee Cheuk Yin, Dannis	–	1,150	–	12	1,162
Mr. Li Wei Bo	–	1,834	–	80	1,914
Mr. Li Shui Dang (2)	–	467	–	–	467
Mr. Cheung Chun Ming (3)	–	187	–	9	196
	339	5,178	3,150	115	8,782

Notes:

(1) Mr. Chan Sai Wai and Mr. Ng Sai Kit were appointed as Directors on 19 June 2006.

(2) Mr. Li Shui Dang was appointed as Director on 26 May 2006 but has resigned on 7 April 2008.

(3) Mr. Cheung Chun Ming has resigned as Director on 26 May 2006.

6. Remuneration Principles for Non-Executive Directors in 2007

The regulatory change and increasing importance of INEDs in ensuring good governance of listed companies in Hong Kong has made the role of NEDs more complex and demanding. In the "**Guide for Remunerating INEDs**" published by **The Hong Kong Institute of Directors** in 2005, it is stated that:

- in order to attract qualified persons to undertake appointments, it is crucial to offer fair compensation packages as well as the freedom for INEDs to exercise their functions and fulfill their responsibilities on the Board.
- the INED fees can be established by taking an estimation of the time spent on regular events.
- in arriving at a rate for computing time-related INED fees, reference may be made to the rate charged by external professional advisers.
- structuring the remuneration for INEDs to incorporate a basic fee plus fees for additional roles and responsibilities, such as the chairmanship or membership of the Audit Committee or other committees. Such compensation for chairmanship should be balanced against the workload of such position.

With reference to the principles set out in the "**Guide for Remunerating INEDs**", the methodology adopted is as follows:

- application of an hourly rate by reference with the average of the partner rates charged by legal and financial advisors in providing professional services.
- calculation of the time spent by NEDs on the Company's affairs (including attendance at Board and Board committee meetings, reading of papers, site visits etc.). This exercise revealed a significant increase in the time spent by the INEDs in performing their duties on Board and on Board committees between 2006 and 2007.
- an additional fee of about 10% for chairmanship of the Board / Board committee respectively.

7. Remuneration for Non-executive Directors

The fees paid to each of our NEDs for their service on the Group and, as applicable, on its Board committees are set out below. The fees were proposed by Remuneration Committee and reviewed by the Board of Directors.

For the year ended 31 December 2007	Fees HK$'000	Salaries and other benefit HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Non-Executive Directors					
Mr. David John Cleveland Hodge	437	–	–	–	437
Mr. Saw Kee Team, Alan (1)	208	–	–	–	208
Mr. Peter Roderick Downing (2)	197	–	–	–	197
Mr. Tay Ah Kee, Keith	754	–	–	–	754
Mr. Au Yeung Tin Wah, Ellis	729	–	–	–	729
Mr. Oh Choon Gan, Eric	727	–	–	–	727
	3,052	–	–	–	3,052

Notes:

(1) Mr. Saw Kee Team, Alan was appointed as a NED on 13 June 2007.

(2) Mr. Peter Roderick Downing has resigned as a NED on 13 June 2007.

For the year ended 31 December 2006	Fees HK$'000	Salaries and other benefit HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Non-Executive Directors					
Mr. David John Cleveland Hodge (1)	255	–	–	–	255
Mr. Peter Roderick Downing (1)	255	–	–	–	255
Mr. Tay Ah Kee, Keith (2)	440	–	–	–	440
Mr. Au Yeung Tin Wah, Ellis (1)	425	–	–	–	425
Mr. Oh Choon Gan, Eric (1)	424	–	–	–	424
Mr. Sik Siu Kwan (3)	88	–	–	–	88
Mr. Ng Pui Cheung, Joseph (4)	88	–	–	–	88
Mr. Ng Kwai Sang (4)	88	–	–	–	88
Mr. Chung Kwok Mo, John (4)	68	–	–	–	68
	2,131	–	–	–	2,131

Notes:

(1) Mr. David John Cleveland Hodge, Mr. Peter Roderick Downing, Mr. Au Yeung Tin Wah, Ellis and Mr. Oh Choon Gan, Eric were appointed as NEDs on 26 May 2006.

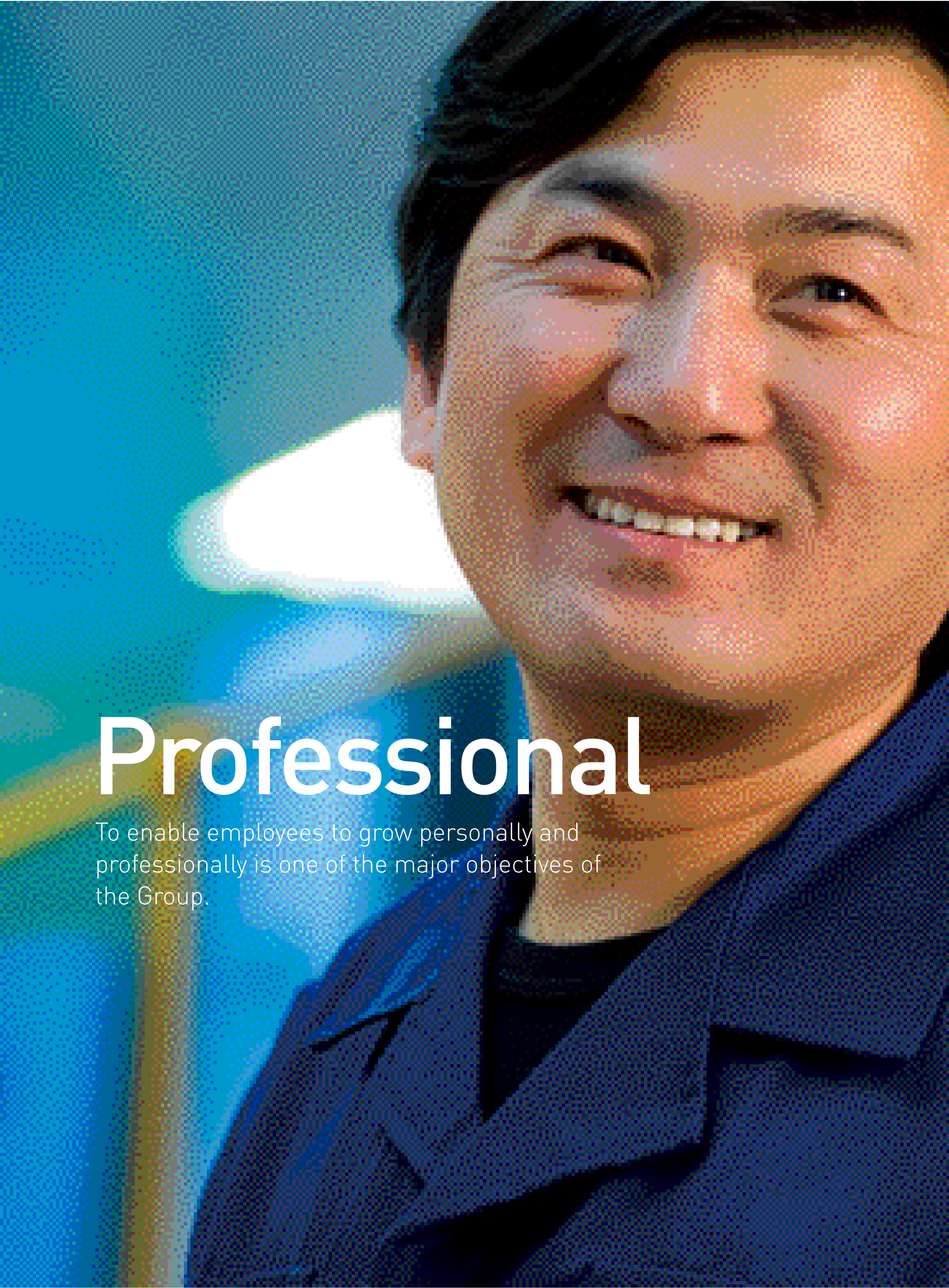
(2) Mr. Tay Ah Kee, Keith was appointed as a NED on 27 April 2006.

(3) Mr. Sik Siu Kwan resigned as a NED on 30 May 2006.

(4) Mr. Ng Pui Cheung, Joseph, Mr. Ng Kwai Sang and Mr. Chung Kwok Mo, John resigned as NED on 26 May 2006.

8. Continued Scrutiny and Disclosure

The Remuneration Committee remains committed to continued scrutiny of remuneration levels, and to high standards of disclosure and transparency to shareholders on such matters.



Professional

To enable employees to grow personally and professionally is one of the major objectives of the Group.

Human Resource Report

INTRODUCTION

AMVIG has been highly successful over the years in attracting and retaining high calibre people to work in all aspects of its operations and drive business expansion. In 2007, we continued to enhance our core human capital competence and develop the potential of our staff through career development initiatives for business growth, and participation in merger and integration plans. The Group worked hard during the year to ensure the smooth integration of its expanded operations by aligning human resource policies and practices with work cultures and practices between each plant.

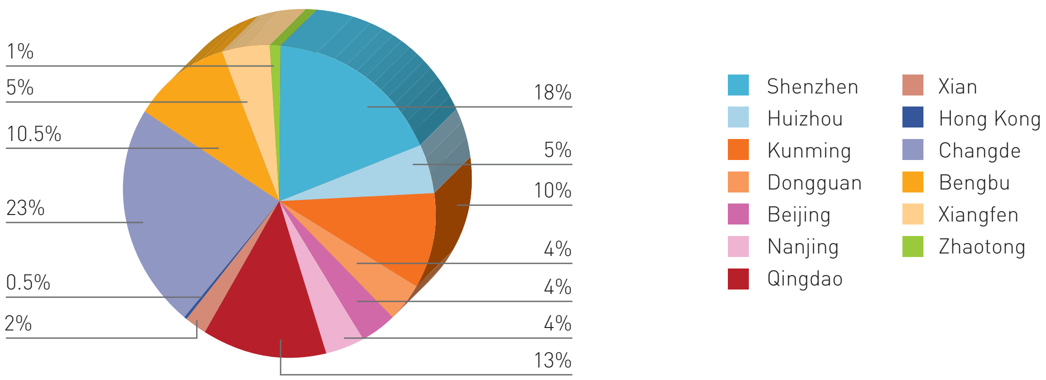
STAFF

The Group's employees have increased dramatically again in 2007 when compared with 2006 primarily as a result of the completion of the Acquisition. At 31 December 2007 the number of employees had increased to 4,928 from 2,228 at 31 December 2006. Such significant growth requires the deployment of strong human resources planning and strategy in order to maintain harmonious and cohesive staff relationships so as to improve operational efficiency. The following table and charts show the employee profile of the Group:

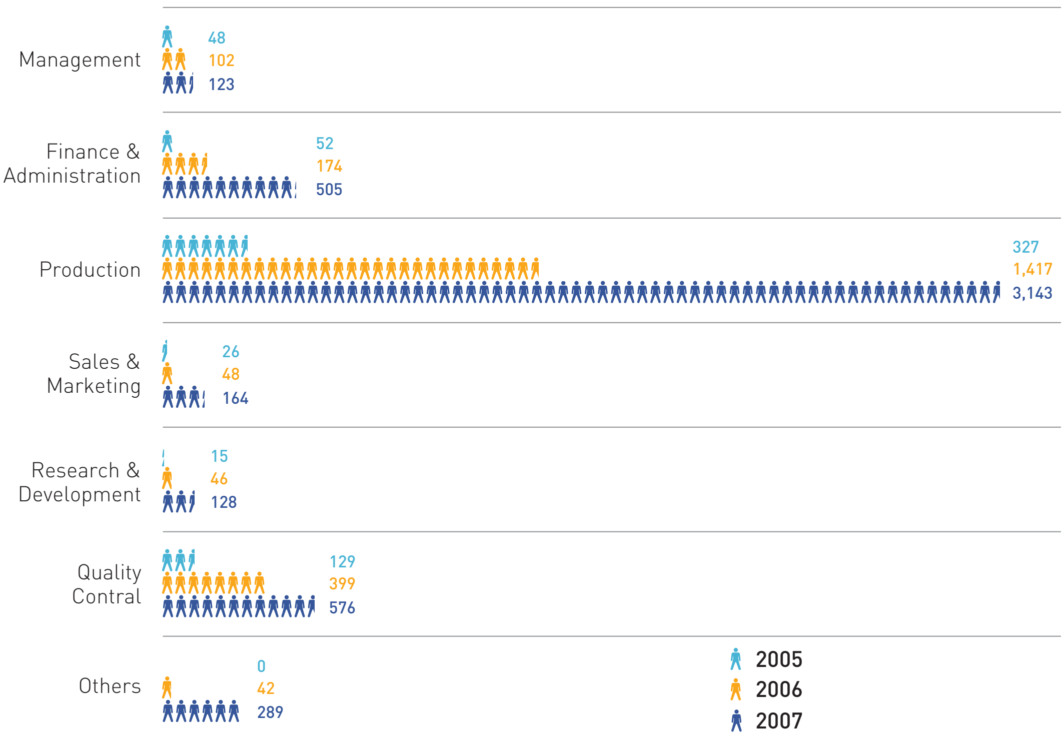
Employees by Profile

	2007	2006	2005
Total at Year End	**4,928**	2,228	597
Average Age	**31**	27	25
Average Years of Service	**4**	3	2
Total % of staff with higher education or above	**74%**	76%	79%

Total Number of Employees (By Location)



Total Number of Employees (By Function)



Human Resource Challenges and Management

The continuing growth and expansion of AMVIG brings with it human resource issues that need to be addressed on a group-wide basis, such as:

— ensuring effective integration of acquired plants into AMVIG.

— ensuring group-wide excellence in the management of our human capital.

— ensuring we have adequate staff mobility across the Group to meet our business needs.

— ensuring retention of good quality staff.

— ensuring the core values are understood and applied in all plants.

— maintaining our human resource governance standard.

— ensuring consistency of policies across various operations of the Group.

To address these challenges, AMVIG strives to ensure that remuneration and benefits are aligned at a very competitive level with the market.

People Development

Our employees are the most important assets in the Group. Developing employees to enable them to grow personally and professionally is one of the major objectives of the Group. We have introduced business-oriented training programs to widen their knowledge and enhance their skill in order to achieve and fulfill the organisation's goals and requirement respectively. The Group intends to introduce a management training program for fresh graduates and other management trainees with an aim to cultivating potential management in future and for systematic succession planning.

With the growing trend and emphasis on corporate governance globally, the Group has also endeavored to keep abreast with this development. In view of the continued growth in business and the complexity of the business environment in the PRC, it is envisaged that more staff will be recruited or deployed in the areas of internal control and risk management. Under the growth of cross-border business activities in mainland China and Hong Kong, the Group continues to enhance business integration, skill transfer and knowledge between staff in different locations.

Remuneration and Performance

Remuneration and rewards are maintained at a competitive level in the market and one of the Group's policies that underpins the remuneration structure is that rewards should be aligned with performance and the general framework of the Group's salary and bonus system. With the changes in directorship in 2007, the Remuneration Committee has completed its review of the remuneration structure and package of the senior management and NEDs. Please refer to pages 51 to 57 of this annual report for the remuneration report for 2007 for details. Similar to senior management and Directors, all staff of the Group are remunerated under a performance-based pay program.

Employees' Share Award Scheme

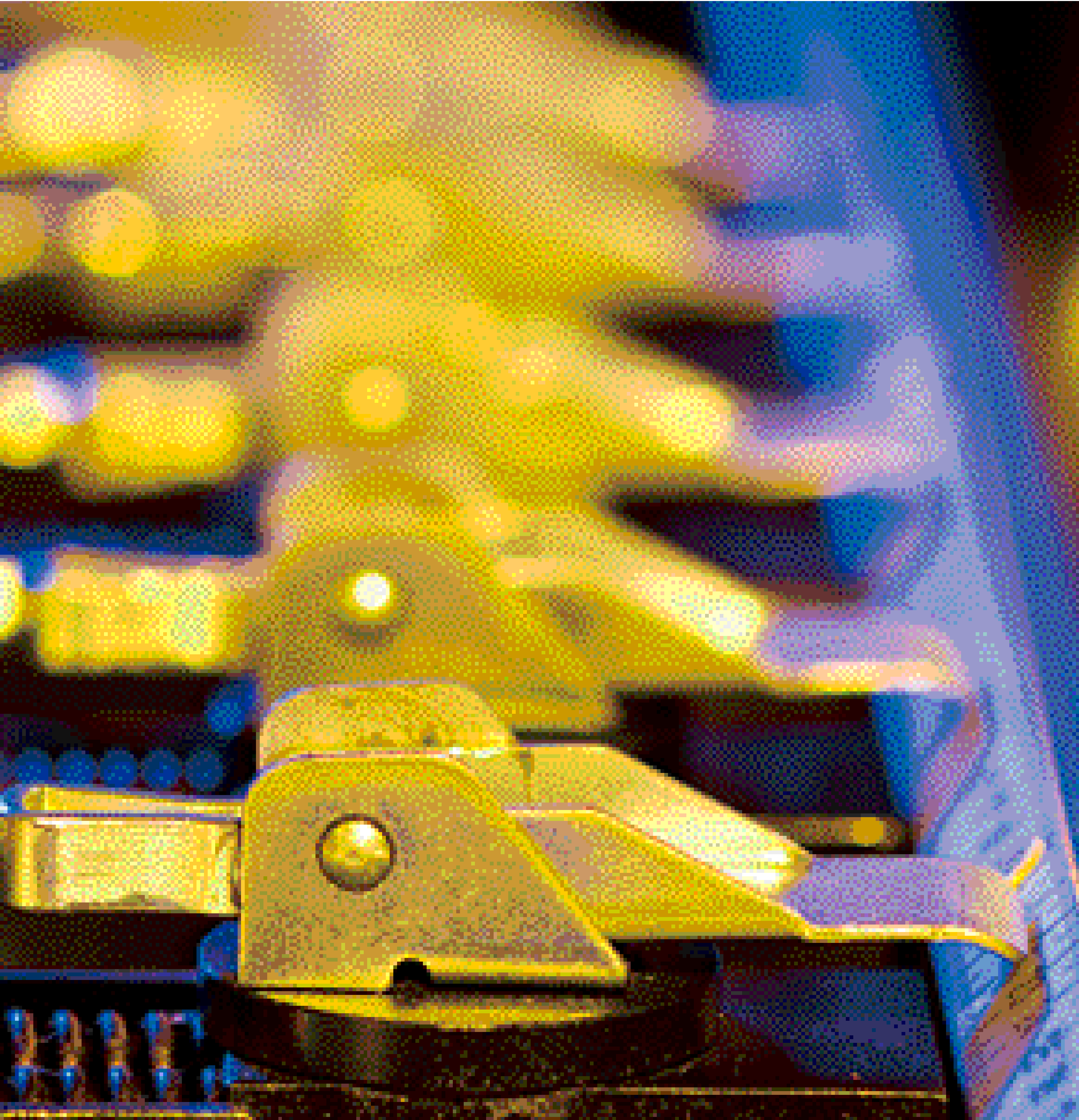
On 13 June 2007, the Board adopted the Employees' Share Award Scheme whereby Shares will be acquired by the Company for the benefit of the employees. The specific objectives of the Scheme are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development and to attract suitable personnel for further development of the Group.

Looking ahead to 2008

As the growth of AMVIG's business continues, AMVIG is committed to the pursuit of excellence in the management of its human capital. In addition to the policies and initiatives that are summarised above, AMVIG plans to focus on a number of areas in 2008.

The first is strengthening communication within our group. This is particularly important because of the significant geographical separation between each plant. In late 2007, we began an independent survey of communication effectiveness amongst management and staff. This will enhance the improvements in communication processes in the Company. In addition, various operations within the Group also have carried out employee surveys. The Group believes that the surveys can give a more complete and uniform understanding of the views of our people, regardless of where they work.

The second is continuous strengthening our management capability to support business growth. In 2008, the existing training process will continue to evolve with the identification of high potential staff expanding to higher level, complementing the talent management processes already in place at subsidiary level. The Group is willing to prepare the next generation of leaders to take on the most senior positions within the Group.



Awareness

To identify, assess and manage risk
is a fundamental requirement in today's
competitive landscape.

Risk Management Report

The ability to identify, assess and manage risk is a fundamental requirement in today's competitive landscape. We are exposed to a variety of risks in the normal course of business including market, operational and financial risk. At AMVIG, we continuously track, monitor and manage the risks that emanate from our business activities. The Board considers that effective and proactive risk management can also be a source of competitive advantage for AMVIG. A key element of this is AMVIG's focus on the higher standards of corporate governance promoting transparency, consistency, and common reporting systems. This is especially important as AMVIG continues to grow. Major risks and measures taken to manage risks are summarised below:

1. Market Risk

AMVIG operates in a dynamic market environment. The expected continued future growth in the PRC economy and our industry and further consolidation amongst our customer base is likely to lead to continued strong demand for high quality products particularly at the mid to high end. This presents both opportunities and challenges for AMVIG in a competitive market environment.

To meet the expected strong growth in demand, AMVIG needs to maintain its culture of customer service excellence and to interface with customers at all levels to better understand their needs. This requires a coordinated approach from AMVIG's operations to ensure resources are being utilised effectively for the benefit of AMVIG and its customers. AMVIG is deploying increased resources to ensure the operations are managed as an integrated group.

AMVIG is committed to leveraging its strengthened diversified manufacturing footprint to ensure sustainable growth and maximise shareholders' value. The Group's expanded manufacturing footprint provides a unique platform to meet the needs of customers throughout the PRC and meet any challenges posed by increasing competition.

The risk of increasing competition has also hastened AMVIG's focus on innovation and leveraging the benefits of an integrated group to provide a differentiated service offering.

2. Operational Risk

The operational risks relating to our internal processes, operating costs, people and fixed assets are monitored through regular internal and external audits.

With the completion of the Acquisition, it is critical that we manage the integration well and generate synergies for the Group. Areas of potential synergies that are currently under review include sharing of resources such as technological know-how, printing machinery, shared marketing and sales force. AMVIG will also continue to vigorously pursue cost reduction measures and generate other synergies to maximise value.

Managing material costs remains crucial amid rising paper and energy prices. At AMVIG, we manufacture some transfer/laminated papers to reduce reliance on the supply of papers from outside suppliers. We also centralise our procurement activities to strengthen our bargaining position and reap the benefit of bulk purchase of raw materials.

Our success is dependent on our ability to hire, retain and motivate talented people with the right set of skills to serve customers and grow our business. The markets that we serve are highly competitive and our skilled employees are highly sought after by our competitors. We have institutionalised comprehensive training programs for our apprentices to ensure continued supply of skilled labor. We have also implemented succession planning and appropriate incentive schemes to motivate and retain our talents.

The Group operates in an environment where technology and product designs are in a continuing state of change. As such, it is important for us to continue to invest in new technology to improve production utilisation rates and expand our product offerings that address changing business needs. Capital discipline becomes even more important in this environment to ensure capital is deployed on a basis that maximises value for shareholders.

It is also a challenge for the Group to meet the increasingly stringent regulations on environmental protection. AMVIG embraces the principles of sustainable development throughout all of its operations and is committed to a process of continual environmental improvement and pollution prevention. Where appropriate, AMVIG will leverage on Amcor Limited's (the largest shareholder of the Company) international experience to help manage and meet the increasingly stringent regulatory environmental requirements.

3. Financial Risk

The Group's activities expose it to a variety of financial risks, including foreign currency risk, price risk, credit risk, liquidity risk, interest rate risk and fair value risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. We have established management policies, guidelines and control procedures to manage our exposure to such risks.

Details of the Group's financial risks and the management of such risks are outlined in Note 5 of the Financial Statements.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective group entities, such as Hong Kong Dollars and United States Dollars ("USD"). During the year, the Group entered into cross currency swaps in order to hedge its foreign exchange rate risk against USD and Hong Kong Dollars borrowings. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk.

(c) Credit risk

The carrying amount of the cash and bank balances including pledged deposits, trade and other receivables, deposits and investments included in the balance sheet represents the Group's maximum exposure to credit risk in relation the Group's financial assets.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group's credit risk is primarily attributable to its trade receivables. It has policies in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring process. The Company's senior management performs on-going credit evaluation and regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are recognised for irrecoverable receivables, if any.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparty is a well-established broker firm in Hong Kong.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(e) Interest rate risk

The Group's bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's cash flow interest rate risk primarily relates to variable-rate bank borrowings and obligations under finance leases. In the current year, the Group had entered into interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows of certain bank borrowings. The critical terms of these interest rate swaps are similar to those of hedged bank borrowings. These interest rate swaps are designated as effective cash flow hedges of interest rate risk.

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

Experience

The diversity of experience brought by Directors covers a range of industry knowledge, expertise and experience.

Directors' Report

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2007.

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 37 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 transfer / laminated paper and laser film. The analysis of the principal activities and geographical location of the operations of the Group are set out in note 37 to the financial statements.

Results and Appropriations

The profit of the Group for the year ended 31 December 2007 and the state of the Group's affairs as at that date are set out in the financial statements on pages 82 to 141.

The Board has declared an interim dividend of HK7 cents per share for the six months ended 30 June 2007 (2006: Nil). The Directors now recommend the payment of a final dividend of HK8.9 cents per share to the members of the Company whose names appear on the register of members of the Company on 7 May 2008 in respect of the year ended 31 December 2007 (2006: HK12.8 cents per share).

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 85.

Distributable Reserves

At 31 December 2007, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK$1,920 million. Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to the equity holders 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 2007 are set out in note 37 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 2007 are set out in notes 24 and 25 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company are set out in note 28 to the financial statements.

Details of the Company's Share Option Scheme and Employees' Share Award Scheme are set out in the paragraph headed "Share Option Scheme and Award 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 142.

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 (Chairman)
Mr. Chan Sai Wai (Vice-Chairman)
Mr. Ng Sai Kit
Mr. Lee Cheuk Yin, Dannis
Mr. Li Shui Dang (resigned on 7 April 2008)
Mr. Li Wei Bo (retired on 30 April 2007)

Non-executive Directors

Mr. David John Cleveland Hodge
Mr. Saw Kee Team, Alan (appointed on 13 June 2007)
Mr. Peter Roderick Downing (resigned on 13 June 2007)

Independent non-executive Directors

Mr. Tay Ah Kee, Keith
Mr. Au Yeung Tin Wah, Ellis
Mr. Oh Choon Gan, Eric

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 notes 10 and 7 to the financial statements, respectively.

Biographical Details of the Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out on pages 30 to 35 of the annual report.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2007 are set out in note 31 to the financial statements.

Continuing Connected Transactions

On 1 March 2006, the Group entered into a 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 ("Master Purchases Agreement"). As Amcor Group is a substantial shareholder of the Company, the Master Purchases Agreement constitutes a continuing connected transaction of the Company. The annual 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. There has not been any purchase of raw materials from Amcor Group during the two years ended 31 December 2007.

Due to the restructuring involving Etsong Group, there has not been any recurring sale transaction with Etsong Group or any of its associates (within the meaning of the Listing Rules) since October 2006 pursuant to the master sales agreement (the "Master Sales Agreement") entered into with Etsong Group on 1 March 2006. Details of the Master Purchases Agreement and the Master Sales Agreement are set out in the announcement and circular of the Company dated 27 January 2006 and 6 February 2006 respectively.

After the completion of the Acquisition, the Group has recurring transactions with Hunan Tobacco Group and Wuhan Tobacco Group, which are substantial shareholders of certain members of the Group interested in approximately 26% and 20% respectively in the registered capital of such members and thus connected persons of the Company within the meaning of the Listing Rules, for the sale of cigarette packages and paper.

These sales transactions are being conducted in accordance with the annual plans ("Annual Plans"), which are in written and binding agreement form, generally fixed at the beginning of each year (i.e. in January) between the parties involved (i.e. Xiangfan Cigarette Factory, Wuhan Tobacco (Group) Company Limited and China Tobacco Hunan Industrial Corporation, which are members of Wuhan Tobacco Group and Hunan Tobacco Group). Based on the Annual Plans, the sales to Wuhan Tobacco Group from the date of completion of the Acquisition (i.e. the time when the Wuhan Tobacco Group and Hunan Tobacco Group become connected persons to the Company and when the sales to them are then subject to the requirements under Chapter 14A of the Listing Rules) up to 31 December 2007 (the "**2007 CCT Period**") are expected not to exceed RMB42.7 million and sales to Hunan Tobacco Group for the 2007 CCT Period are expected not to exceed RMB68.9 million. The selling price of the cigarette packages during the 2007 CCT Period shall be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiation by reference to various factors including the costs of production, prevailing market condition, the time of delivery, and the quantity required. Details of these continuing connected transactions are set out in the announcement and circular of the Company dated 6 December 2007 and 17 January 2008 respectively.

The INEDs have reviewed and confirmed that the above 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 favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the Master Purchases Agreement and the Annual Plans governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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 73% of the total sales for the year and the sales attributable to the largest customer included therein accounted for approximately 21%.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 35% of the total purchases for the year and the purchases attributable to the largest supplier included therein accounted for approximately 11%.

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 2007, the following Directors or the chief executive of the Company 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 HKSE 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 HKSE pursuant to the Model Code:

Name of Director	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
Mr. Chan Sai Wai (Note 1)	Interest of controlled corporation	42,336,000	Long	4.33%
Mr. Ng Sai Kit (Note 2)	Interest of controlled corporation	31,752,000	Long	3.25%
Mr. Lee Cheuk Yin, Dannis	Beneficial owner	3,272,000	Long	0.33%

Notes:

1. These Shares are held by Oriental Honour Limited, the entire issued share capital of which is beneficially owned by Mr. Chan Sai Wai.

2. 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 2007, 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 HKSE 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 HKSE pursuant to the Model Code.

(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 2007, 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 HKSE 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	327,464,000 Shares	Long	33.50%
Amcor Packaging (Asia) Pty Limited	1	Interest of controlled corporation	327,464,000 Shares	Long	33.50%
Amcor Fibre Packaging-Asia Pte Limited	1	Beneficial owner	327,464,000 Shares	Long	33.50%
Mr. Tsoi Tak		Beneficial owner	216,860,000 Shares	Long	22.19%
JP Morgan Chase & Co.		Beneficial owner	158,000 Shares	Long	0.01%
		Investment manager	64,970,000 Shares	Long	6.65%
		Custodian corporation/ approved lending agent	348,000 Shares	Long/ Lending pool	0.04%

Note:

1. The shares of Amcor Limited are listed on the Australian Stock Exchange Limited. Amcor Packaging (Asia) Pty Limited and Amcor Fibre Packaging-Asia Pte Limited are wholly owned subsidiaries of Amcor Limited.

Save as disclosed above, as at 31 December 2007, 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 HKSE under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

The Company repurchased 6,198,000 shares on the HKSE during the year ended 31 December 2007. Such shares were cancelled after the repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these Shares.

Details of the repurchases are summarised as follows:

Date of repurchase	Number of Shares repurchased	Repurchase price per Share Highest (HK$)	Lowest (HK$)	Total consideration (HK$'000)
27 June 2007	6,000	9.94	–	60
28 June 2007	30,000	10.20	–	306
29 June 2007	358,000	10.40	10.28	3,693
3 July 2007	1,290,000	10.68	10.66	13,773
4 July 2007	774,000	10.86	10.68	8,391
6 July 2007	32,000	11.30	–	362
25 September 2007	1,200,000	11.80	11.40	13,983
27 September 2007	134,000	11.40	11.38	1,527
15 November 2007	104,000	11.52	11.48	1,197
16 November 2007	828,000	11.50	10.96	9,305
19 November 2007	468,000	11.80	11.10	5,409
20 November 2007	354,000	11.80	11.04	4,043
21 November 2007	84,000	11.74	11.56	982
22 November 2007	200,000	11.36	11.10	2,249
23 November 2007	162,000	11.10	11.00	1,787
28 November 2007	174,000	10.80	10.58	1,865

Save and except the above and another 28,484,000 shares acquired by the Company for the benefits of the employees under the Employees' Share Award Scheme as adopted by the Company on 13 June 2007, 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 2007.

Directors' Service Contracts

The new Director appointed during 2007, namely Mr. Saw Kee Team, Alan, has been appointed for a term of two years subject to the normal retirement by rotation under the articles of association of the Company. His 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 INEDs an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers the INEDs to be independent.

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 and Award Scheme

The Company operates 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 2007, no option has been granted or agreed to be granted to any person under the Share Option Scheme.

On 13 June 2007, the Company also adopted the Employees' Share Award Scheme for the purposes of recognising the contributions by certain employees, providing them with incentives in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. The Employees' Share Award Scheme shall be valid and effective for a term of 10 years. Pursuant to the Employees' Share Award Scheme, Share, the Board shall cause to be paid a sum from the Company's resources to an administrator who shall apply the sum towards the purchase of the Shares at the prevailing market price for award to the selected employees.

Up to 31 December 2007, an aggregate of 28,484,000 Shares were acquired by the Company for the benefits of the employees under the Employees' Share Award Scheme.

Final Dividend

The Board recommended the payment of a final dividend of HK8.9 cents per Share for the year ended 31 December 2007 (2006: HK12.8 cents) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 7 May 2008. Subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting of the Company to be held on 15 May 2008, the final dividend will be paid to the Company's shareholders on or about 21 June 2008.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 30 April 2008 to Wednesday, 7 May 2008 (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 2007 and for attending the Annual General Meeting of the Company to be held on Thursday, 15 May 2008, 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 Tuesday, 29 April 2008.

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 2007.

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 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 Audit Committee comprises the three INEDs with Mr. Tay Ah Kee, Keith acting as Chairman.

The consolidated financial statements of the Company for the year ended 31 December 2007 together with the notes attached thereto have been reviewed by the Audit 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.

On behalf of the Board
Chan Chew Keak, Billy
Chairman

Hong Kong, 7 April 2008

Independent Auditor's Report

TO THE SHAREHOLDERS OF
AMVIG HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of AMVIG Holdings Limited (the "Company") set out on pages 82 to 141, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
7 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	(Restated) 2006 HK$'000
Turnover	6	**2,132,321**	1,122,574
Cost of goods sold		**(1,442,837)**	(758,408)
Gross profit		**689,484**	364,166
Other income	6	**53,331**	29,540
Selling and distribution costs		**(157,013)**	(44,744)
Administrative expenses		**(156,316)**	(93,215)
Other operating expenses		**(8,372)**	(12,751)
Profit from operations	7	**421,114**	242,996
Finance costs	8	**(24,319)**	(14,842)
Share of profit of associates		**71,152**	69,608
Profit before tax		**467,947**	297,762
Income tax expenses	11	**(68,044)**	(30,423)
Profit for the year		**399,903**	267,339
Attributable to:			
Equity holders of the Company		**353,837**	250,347
Minority interests		**46,066**	16,992
Earnings per share			
— basic (HK cents)	12(a)	**43.4**	34.8
— diluted (HK cents)	12(b)	**N/A**	N/A
Dividends	13	**141,680**	100,310

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK$'000	(Restated) 2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,153,872**	475,731
Prepaid land lease payments	15	**41,357**	12,713
Goodwill	16	**2,751,773**	1,276,615
Interests in associates	17	**321,209**	60,381
Financial assets at fair value through profit or loss	18	**320,050**	—
Available-for-sale financial assets	19	**1,481**	—
Other financial assets	26	**19,734**	—
Deposits for purchase of plant and equipment		**50,823**	8,418
		4,660,299	1,833,858
Current assets			
Inventories	20	**316,182**	211,381
Trade and other receivables	21	**834,224**	402,089
Prepaid land lease payments	15	**1,045**	404
Prepayments and deposits		**64,078**	26,371
Other financial assets	26	**23,056**	—
Pledged bank deposits	22	**73,913**	12,771
Bank and cash balances	22	**811,038**	336,963
		2,123,536	989,979
Total assets		**6,783,835**	2,823,837
EQUITY			
Capital and reserves			
Share capital	28	**9,775**	7,837
Reserves	29	**3,825,641**	2,166,919
Equity attributable to equity holders of the Company		**3,835,416**	2,174,756
Minority interests		**257,190**	122,491
Total equity		**4,092,606**	2,297,247

	Note	2007 HK$'000	(Restated) 2006 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	24	**1,083,049**	—
Obligations under finance leases	25	**34,834**	13,361
Other financial liabilities	26	**190,812**	—
Deferred tax liabilities	27	**31,837**	17,726
		1,340,532	31,087
Current liabilities			
Trade and other payables	23	**947,857**	395,950
Current tax liabilities		**28,417**	9,707
Current portion of bank borrowings	24	**355,962**	74,390
Current portion of obligations under finance leases	25	**18,461**	15,456
		1,350,697	495,503
Total liabilities		**2,691,229**	526,590
Total equity and liabilities		**6,783,835**	2,823,837
Net current assets		**772,839**	494,476
Total assets less current liabilities		**5,433,138**	2,328,334

Approved by the Board of Directors on 7 April 2008

Chan Chew Keak, Billy
Executive Chairman

Lee Cheuk Yin, Dannis
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Statutory reserves HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	4,800	362,637	5,865	–	–	253,155	21,449	647,906	6,660	654,566
Translation differences	–	–	27,162	–	–	–	–	27,162	4,455	31,617
Share issue expenses	–	(5,644)	–	–	–	–	–	(5,644)	–	(5,644)
Net income recognised directly in equity	–	(5,644)	27,162	–	–	–	–	21,518	4,455	25,973
Profit for the year	–	–	–	–	–	250,347	–	250,347	16,992	267,339
Total recognised income and expenses for the year	–	(5,644)	27,162	–	–	250,347	–	271,865	21,447	293,312
Transfer from retained profits - Group	–	–	–	–	–	(13,645)	13,645	–	–	–
Dividend paid for 2005 (note 13)	–	–	–	–	–	(60,679)	–	(60,679)	–	(60,679)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(34,608)	(34,608)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	128,992	128,992
Share of revaluation surplus of an associate	–	–	–	8,010	–	–	–	8,010	–	8,010
Issue of new shares (note 28)	3,037	1,304,617	–	–	–	–	–	1,307,654	–	1,307,654
	3,037	1,304,617	–	8,010	–	(74,324)	13,645	1,254,985	94,384	1,349,369
At 31 December 2006	7,837	1,661,610	33,027	8,010	–	429,178	35,094	2,174,756	122,491	2,297,247
Translation differences	–	–	283,333	–	–	–	–	283,333	12,940	296,273
Loss on cash flow hedges	–	–	–	–	(138,906)	–	–	(138,906)	–	(138,906)
Net income recognised directly in equity	–	–	283,333	–	(138,906)	–	–	144,427	12,940	157,367
Profit for the year	–	–	–	–	–	353,837	–	353,837	46,066	399,903
Transfer to profit or loss on cash flow hedges (note 26)	–	–	–	–	(13,429)	–	–	(13,429)	–	(13,429)
Total recognised income and expenses for the year	–	–	283,333	–	(152,335)	353,837	–	484,835	59,006	543,841
Transfer from retained profits - Group	–	–	–	–	–	(58,600)	58,600	–	–	–
- Associates	–	–	–	–	–	(7,002)	7,002	–	–	–
Repurchases of shares (Note 28)	(62)	(69,118)	–	–	–	–	–	(69,180)	–	(69,180)
Dividend paid for 2006 (Note 13)	–	–	–	–	–	(100,310)	–	(100,310)	–	(100,310)
Dividend paid for 2007 (Note 13)	–	–	–	–	–	(54,685)	–	(54,685)	–	(54,685)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(18,665)	(18,665)
Acquisition of subsidiaries (Note 16)	–	–	–	–	–	–	–	–	94,358	94,358
Issue of new shares (Note 28)	2,000	1,398,000	–	–	–	–	–	1,400,000	–	1,400,000
	1,938	1,328,882	–	–	–	(220,597)	65,602	1,175,825	75,693	1,251,518
At 31 December 2007	9,775	2,990,492	316,360	8,010	(152,335)	562,418	100,696	3,835,416	257,190	4,092,606

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	(Restated) 2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**467,947**	297,762
Adjustments for:		
Share of profit of associates	**(71,152)**	(69,608)
Finance costs	**24,319**	14,842
Impairment loss on receivables	**7,718**	6,049
Write down of inventories	**2,827**	—
Depreciation	**70,259**	48,450
Loss on disposals of property, plant and equipment	**2,210**	1,598
Interest income	**(13,850)**	(4,909)
Amortisation of prepaid land lease payments	**545**	285
Fair value gains on financial assets at fair value through profit or loss	**(14,164)**	—
Unrealised profit on closing inventories sold to associates, net	**(1,850)**	(763)
Operating profit before working capital changes	**474,809**	293,706
Decrease / (increase) in inventories	**46,478**	(40,906)
(Increase)/ decrease in trade and other receivables	**(158,672)**	127,841
Decrease in due from an associate	**—**	14,227
Decrease in prepayments and deposits	**25,707**	30,699
Increase in trade and other payables	**71,636**	13,920
Cash generated from operations	**459,958**	439,487
Income taxes paid	**(55,255)**	(38,090)
Net cash generated from operating activities	**404,703**	401,397
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in pledged bank deposits	**(2,814)**	2,473
Purchases of property, plant and equipment and prepaid land lease payments	**(213,038)**	(40,184)
Payments of deposits for purchase of plant and equipment	**(42,405)**	(8,418)
Dividend received from associates	**45,258**	74,499
Proceeds from disposals of property, plant and equipment and prepaid land lease payments	**7,124**	27,053
Interest received	**13,850**	4,909
Acquisition of subsidiaries (Note 16)	**(121,412)**	(330,115)
Acquisition of subsidiaries in prior year	**(51,940)**	—
Purchase of available-for-sale financial assets	**(1,481)**	—
Purchases of financial assets at fair value through profit or loss	**(305,886)**	—
Net cash used in investing activities	**(672,744)**	(269,783)

	2007 HK$'000	(Restated) 2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for repurchases of shares	**(69,180)**	–
Proceeds from issue of shares	**–**	310,014
Share issue expenses paid	**–**	(5,644)
Bank borrowings repaid	**(119,261)**	(220,679)
Bank borrowings raised	**1,116,890**	133,003
Payment of obligations under finance leases	**(33,320)**	(14,428)
Interest paid	**(23,150)**	(12,350)
Finance lease charges paid	**(1,169)**	(2,492)
Dividend paid to equity holders of the Company	**(154,995)**	(60,679)
Dividend paid to minority shareholders	**(18,665)**	(34,608)
Net cash generated from financing activities	**697,150**	92,137
NET INCREASE IN CASH AND CASH EQUIVALENTS	**429,109**	223,751
Effect of foreign exchange rate changes	**44,966**	19,558
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**336,963**	93,654
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**811,038**	336,963
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**811,038**	336,963

Notes to the Financial Statements

1. General Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 November 2003 under the Companies Law of Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business is Room 1803-04, 18th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the financial statements.

2. 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 accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures" retrospectively. Certain information presented in prior year under the requirements of HKAS 32 "Financial Instruments: Disclosure and Presentation" has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. Significant Accounting Policies

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments and cash-settled share-based liabilities, which are revalued at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Significant Accounting Policies *(continued)*

(a) Consolidation *(continued)*

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary are initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

3. Significant Accounting Policies *(continued)*

(c) Associates *(continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Significant Accounting Policies *(continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company is an investment holding company and majority of its subsidiaries are operating in the Peoples' Republic of China (the "PRC"), with significant exposure to Renminbi ("RMB"). On the other hand, its expenses are mainly paid in Hong Kong dollars ("HK$"). Prior to 2007, the exchange rate between HK$ and RMB were relatively stable. The Directors considered the functional currency of the Company to be HK$.

In 2007, RMB appreciated substantially against HK$. Since the Company is an investment holding company, in order to reflect the economic environment of the Company in a fairer way, the Directors consider it is more appropriate that the Company's functional currency should be restated from HK$ to RMB. The consolidated financial statements are presented in HK$, which is the Company's presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the exchange reserve.

3. Significant Accounting Policies *(continued)*

(d) Foreign currency translation *(continued)*

(iii) Translation on consolidation *(continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories, financial assets at fair value through profit or loss and other financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant Accounting Policies *(continued)*

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(g) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

(h) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(j) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

3. Significant Accounting Policies *(continued)*

(j) Employee benefits *(continued)*

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(k) Share-based payments

The Group issues cash-settled share-based payments to certain employees. The Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in the income statement.

(l) Taxation

Income tax represents the sum of current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies *(continued)*

(l) Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	20 years
Leasehold improvements	2 — 20 years
Plant and machinery	5 — 15 years
Office equipment	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

3. Significant Accounting Policies *(continued)*

(m) Property, plant and equipment *(continued)*

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the income statement.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability recognised and the consideration paid is recognised in the income statement.

3. Significant Accounting Policies *(continued)*

(p) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in a active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

3. Significant Accounting Policies *(continued)*

(q) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(r) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(s) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in (t) to (v) below.

(t) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. Significant Accounting Policies *(continued)*

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(w) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the contract date and are subsequently measured at fair value.

The Group designates the derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction.

Changes in the fair value of derivatives that are designated and effective as cash flow hedges are recognised directly in equity. Any ineffective portion is recognised immediately in the income statement. The Group's policy with respect to hedging the foreign currency risk of a firm commitment is to designate the hedging relationship as a cash flow hedge.

If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

3. Significant Accounting Policies *(continued)*

(x) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as obligation under finance leases. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over their estimated useful lives.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. Significant Accounting Policies *(continued)*

(z) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(aa) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, prepaid land lease payments, deposits for purchase of plant and equipment, inventories, trade and other receivables, prepayments and deposits, pledged bank deposits and bank and cash balances. Segment liabilities exclude primarily other financial liabilities, current and deferred tax liabilities.

3. Significant Accounting Policies *(continued)*

(aa) Segment reporting *(continued)*

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(bb) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Critical Judgements And Key Estimates

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and residual values, and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives or residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was approximately HK$2,751,773,000. No impairment loss was recognised during the year ended 31 December 2007.

4. Critical Judgements And Key Estimates *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Impairment loss on receivables

The Group makes impairment loss on receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss on receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and impairment loss on receivables in the year in which such estimate has been changed.

(d) Allowance for inventories and net realisable value of inventories

Allowance for inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and write-down/write-back in the period in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. The Group will reassess the estimates by each balance sheet date.

(e) Fair value of derivatives

As disclosed in note 26 to the financial statements, the assumptions for determining the fair value of derivatives are made based on quoted market rates adjusted for specific features of the instrument.

(f) Income taxes

Significant estimates are required in determining the provisions for income tax and deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Share-based payment expenses

The fair value of the share appreciation rights ("Employees' Share Award Rights") granted to the employees of the Group under an employees' share award scheme ("Employees' Share Award Scheme") as detailed in note 30 to the financial statements ("Employees' Share Award Rights") determined at the balance sheet dates is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment liabilities. In assessing the fair value of the Employees' Share Award Rights, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the Employees Share Award Rights. The Black-Scholes Model requires the input of subjective assumptions, including the expected volatility, expected dividend yield and expected life of Employees' Share Award Rights. Any changes in these assumptions can significantly affect the estimate of the fair value of the Employees' Share Award Rights.

5. Financial Risk Management

The Group's activities expose it to a variety of financial risks, including foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Group's financial performance. The directors have established management policies, guidelines and control procedures to manage the Group's exposure to such risks.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective group entities, such as HK$ and USD. During the year, the Group had entered into currency swaps to hedge its exposure to foreign currency risk arising from certain of its HK$ and USD bank borrowings (notes 24 and 26). The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2007, if the RMB had weakened 7% (2006: 4%) against HK$ and USD with all other variables held constant, the impact on profit before tax and other component of the equity are summarised in the following table. The sensitivity analysis includes outstanding foreign currency denominated monetary items and currency swaps designated as cash flow hedges and adjusts their translation at the year end for a 7% (2006: 4%) change in foreign currency rates. A positive number indicates an increase in profit and other equity. If the RMB had strengthened 7% (2006: 4%) against HK$ and USD with all other variables held constant, there would be an equal and opposite impact on profit before tax and other component of the equity, and the balances below would be negative.

	Impact of HK$		Impact of USD	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Profit before tax	**25,852**	(1,510)(i)	**4,183**	6 (iii)
Other equity	**33,011**	— (ii)	**48,652**	— (ii)

(i) This is mainly as a result of the foreign exchange (loss)/gain on financial assets at fair value through profit or loss, bank and cash balances, trade and other payables, bank borrowings and obligations under finance leases denominated in HK$ not subject to cash flow hedges at year end.

(ii) This is mainly arising from the changes in fair value of derivative instruments designated as cash flow hedges in relation to the Group's bank borrowings.

(iii) This is mainly as a result of the foreign exchange (loss)/gain on the bank borrowings denominated in USD not subject to cash flow hedges at year end.

5. Financial Risk Management *(continued)*

(b) Price risk

The Group's equity investments classified as financial assets at fair value through profit or loss which are measured at fair value at each balance sheet date and expose the Group to equity security price risk.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the balance sheet date.

If the prices had been 5% higher/lower, the Group's profit before tax for the year ended 31 December 2007 would be increased/decreased by approximately HK$16,002,000 (2006: HK$ Nil) as a result of the changes in fair value of financial assets at fair value through profit or loss.

(c) Credit risk

The carrying amount of the cash and bank balances including pledged bank deposits, trade and other receivables, deposits and investments included in the balance sheet represents the Group's maximum exposure to credit risk in relation the Group's financial assets.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group's credit risk is primarily attributable to its trade receivables. The Group has policies in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring process. The Group's senior management performs on-going credit evaluation and regularly reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognized for irrecoverable debts.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparties are well-established broker firms in Hong Kong.

5. Financial Risk Management *(continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserve of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000
At 31 December 2007			
Bank borrowings	355,962	493,970	589,079
Obligations under finance lease	18,461	16,001	18,833
Trade and other payables	947,857	—	—
Other financial liabilities	—	77,438	113,374
At 31 December 2006			
Bank borrowings	74,390	—	—
Obligations under finance lease	15,456	7,608	5,753
Trade and other payables	395,950	—	—
Other financial liabilities	—	—	—

(e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings and obligations under finance leases. The Group's bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The Directors consider the Group's exposure to interest rate risk on bank deposits is not significant as interest bearing bank balances are within short maturity period.

The Group's cash flow interest rate risk primarily relates to variable-rate bank borrowings and obligations under finance leases. In the current year, the Group had entered into interest rate swaps to hedge against cash flow interest rate risk of certain bank borrowings (notes 24 and 26). The critical terms of these interest rate swaps are similar to those of hedged bank borrowings. These interest rate swaps are designated as effective cash flow hedges of interest rate risk.

At 31 December 2007, if the interest rate had been 100 basis point (2006: 100 basis point) lower, with all other variables held constant, the impact on profit before tax and other component of the equity are summarised in the following table. The sensitivity analysis includes outstanding bank borrowings, obligations under finance leases and interest rate swaps designated as cash flow hedges and adjusts the respective interest rates at the year end of 100 basis point (2006: 100 basic point) A positive number indicates an increase in profit and other equity. If the interest rate had been 100 basis point (2006: 100 basis point) higher, with all other variables held constant, there would be an equal and opposite impact on profit before tax and other component of the equity, and the balances below would be negative.

	2007 **HK$'000**	2006 HK$'000
Profit before tax	**4,380**	743 (i)
Other equity	**(23,031)**	— (ii)

5. Financial Risk Management *(continued)*

(e) Interest rate risk *(continued)*

(i) This is mainly as a result of the decrease in interest expenses on bank borrowings and obligations under finance leases not subject to cash flow hedges at year end.

(ii) This is mainly arising from the changes in fair value of derivative instruments designated as cash flow hedges in relation to the Group's bank borrowings.

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. Turnover And Other Income

The Group is principally engaged in printing of cigarette packages and manufacturing of laminated/ transfer paper and laser film. An analysis of the Group's turnover and other income is as follows:

	2007 **HK$'000**	2006 HK$'000
Turnover		
Cigarette packages	**1,830,536**	885,339
Transfer / laminated paper and laser film	**301,785**	237,235
	2,132,321	1,122,574
Other income		
Sales of paper, net	**4,683**	—
Sales of scrapped materials	**5,529**	9,558
Interest income	**13,850**	4,909
Compensation received	**1,056**	5,023
Commission income	**4,769**	325
Fair value gains on financial assets at fair value through profit or loss	**14,164**	—
Government grants received	**4,359**	—
Exchange gain, net	**1,194**	687
Sundry income	**3,727**	9,038
	53,331	29,540

7. Profit From Operations

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

	2007 HK$'000	2006 HK$'000
Auditors' remuneration		
— current	**3,500**	2,600
— under-provision in prior year	**200**	—
	3,700	2,600
Impairment loss on receivables	**7,718**	6,049
Write down of inventories (included in cost of inventories sold)	**2,827**	—
Cost of inventories sold (Note a)	**1,442,837**	758,408
Depreciation	**70,259**	48,450
Loss on disposals of property, plant and equipment	**2,210**	1,598
Exchange gain, net (included in other income)	**(1,194)**	(687)
Operating lease rentals in respect of land, buildings and equipment	**15,767**	10,389
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	**159,089**	94,196
— Retirement benefits scheme contributions	**8,506**	1,344
— Cash-settled share-based payments	**7,258**	—
	174,853	95,540
Research and development costs	**6,376**	7,921

Notes:

(a) Cost of inventories sold includes the following which are included in the respective amounts disclosed separately above for the year:

	2007 HK$'000	2006 HK$'000
Operating lease rentals	**8,568**	7,342
Staff costs	**91,258**	53,720
Depreciation	**61,146**	38,905
Research and development costs	**6,170**	7,703

8. Finance Costs

	2007 HK$'000	2006 HK$'000
Interest on bank borrowings	**37,381**	12,350
Finance lease charges	**1,169**	2,492
	38,550	14,842
Fair value gain on interest-rate swaps:		
Cash flow hedge (transfer from equity)	**(14,231)**	—
	24,319	14,842

9. Directors' And Senior Executives' Emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	2007 HK$'000	2006 HK$'000
Fees		
Executive directors	**491**	339
Non-executive directors	**842**	598
Independent non-executive directors	**2,210**	1,533
Other emoluments		
Executive directors		
— Basic salaries, allowances and benefits in kind	**10,580**	8,328
— Retirement benefits scheme contributions	**63**	115
	14,186	10,913

9. Directors' And Senior Executives' Emoluments *(continued)*

The emoluments of each Director for the years ended 31 December 2007 and 2006 are set out below:

	Fees HK$'000	Salaries and other benefit HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director					
Mr. Chan Chew Keak, Billy	491	–	–	–	491
Mr. Chan Sai Wai	–	2,000	2,400	12	4,412
Mr. Ng Sai Kit	–	1,500	1,800	12	3,312
Mr. Li Wei Bo (Note a)	–	616	–	27	643
Mr. Li Shui Dang (Note b)	–	514	–	–	514
Mr. Lee Cheuk Yin, Dannis	–	1,250	500	12	1,762
Mr. David John Cleveland Hodge	437	–	–	–	437
Mr. Peter Roderick Downing (Note c)	197	–	–	–	197
Mr. Saw Kee Team, Alan (Note d)	208	–	–	–	208
Mr. Tay Ah Kee, Keith	754	–	–	–	754
Mr. Au Yeung Tin Wah, Ellis	729	–	–	–	729
Mr. Oh Choon Gan, Eric	727	–	–	–	727
Total for 2007	3,543	5,880	4,700	63	14,186

	Fees HK$'000	Salaries and other benefit HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Name of Director					
Mr. Chan Chew Keak, Billy	339	–	–	–	339
Mr. Chan Sai Wai	–	910	1,800	7	2,717
Mr. Ng Sai Kit	–	630	1,350	7	1,987
Mr. Li Wei Bo	–	1,834	–	80	1,914
Mr. Li Shui Dang	–	467	–	–	467
Mr. Lee Cheuk Yin, Dannis	–	1,150	–	12	1,162
Mr. David John Cleveland Hodge	255	–	–	–	255
Mr. Peter Roderick Downing	255	–	–	–	255
Mr. Tay Ah Kee, Keith	440	–	–	–	440
Mr. Au Yeung Tin Wah, Ellis	425	–	–	–	425
Mr. Oh Choon Gan, Eric	424	–	–	–	424
Mr. Cheung Chun Ming (Note e)	–	187	–	9	196
Mr. Sik Siu Kwan (Note f)	88	–	–	–	88
Mr. Ng Pui Cheung, Joseph (Note e)	88	–	–	–	88
Mr. Ng Kwai Sang (Note e)	88	–	–	–	88
Mr. Chung Kwok Mo, John (Note e)	68	–	–	–	68
Total for 2006	2,470	5,178	3,150	115	10,913

9. Directors' And Senior Executives' Emoluments *(continued)*

Notes:
- (a) Retired on 30 April 2007
- (b) Resigned on 7 April 2008
- (c) Resigned on 13 June 2007
- (d) Appointed on 13 June 2007
- (e) Resigned on 26 May 2006
- (f) Resigned on 30 May 2006

The five highest paid individuals in the Group during the year include five (2006: five) directors whose emoluments are reflected in the analysis presented above.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year. In addition, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. Retirement Benefits Schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into MPF Scheme.

The employees of the Group's subsidiaries established in the People's Republic of China ("PRC") are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

11. Income Tax Expenses

	2007 HK$'000	2006 HK$'000
Hong Kong Profits Tax	5	—
PRC enterprise income tax		
— current	70,158	29,569
— (over)/under provision in prior year	(264)	854
Deferred tax	(1,855)	—
	68,044	30,423

Hong Kong Profits Tax is provided at 17.5% based on the assessable profit for the year ended 31 December 2007. No provision for Hong Kong Profits Tax has been made for year ended 31 December 2006 as the Group had no assessable profit in Hong Kong.

Pursuant to relevant income tax laws of the PRC, the subsidiaries in the PRC are subject to income tax rates of 15% to 33%, mainly depending on the places of establishment and the industries engaged in.

According to relevant tax laws and regulations, the subsidiaries of the Company, Mattie Hologram Technology (Huizhou) Co., Ltd ("Mattie Hologram"), Xian Great Sky Laser Hologram Co., Ltd ("Xian Hologram"), Xiangfan Jinfeihuan Colour Packing Co., Ltd ("XF Jinfeihuan") and Shenzhen Kecai Printing Co., Ltd ("SZ Kecai") are entitled to a full exemption from the PRC enterprise income tax for the first two years and 50% reduction for the following three years commencing from the first profitable year of operation after fully set off against the accumulated losses brought forward. Mattie Hologram was accredited as a Technologically Advanced Enterprise by the State Tax Bureau of Huizhou High Technology Industrial Development Zone (惠州市高新技術產業開發區國家稅務局) and is entitled to a reduced PRC enterprise income tax rate of 15%. XF Jinfeihuan was accredited as a High-Tech Enterprise by the Hubei Provincial Science and Technology Bureau (湖北省科學技術廳) and is entitled to a reduced PRC enterprise income tax rate of 15%. Pursuant to relevant tax law and regulation in the PRC, being an entity set up in the Shenzhen Special Economic Zone, SZ Kecai is entitled to a reduced PRC enterprise income tax rate of 15%. Pursuant to relevant tax law and regulation in the PRC, Xian Hologram is subject to PRC enterprise income tax rate of 33%. The first profitable year of Mattie Hologram, Xian Hologram, XF Jinfeihuan and SZ Kecai was commenced from year 2005, 2005, 2003 and 2005 respectively.

Victory Honest Industries (Shenzhen) Co., Ltd, ("Victory Honest Shenzhen") was accredited as a Technologically Advanced Enterprise by the Shenzhen Bureau of Trade and Industry (深圳市貿易工業局). Pursuant to relevant tax laws and regulations in the PRC, Victory Honest Shenzhen is entitled to prolonged 50% reduction of the PRC enterprise income tax (effective income tax rate of 7.5%) for three years commenced from year 2005.

11. Income Tax Expenses *(continued)*

According to the certificate issued by the Yunnan Provincial Science and Technology Bureau (雲南省科技廳), Kunming World Grand Colour Printing Co., Ltd. ("Kunming World Grand") is accredited as a High-Tech Enterprise. Pursuant to Articles 7 and 8 of the "Enterprise Income Tax Law for Foreign Investment Enterprise and Foreign Enterprises", Kunming World Grand, being a High-Tech Enterprise, is entitled to a reduced PRC enterprise income tax rate of 15%. In addition, the State Tax Bureau of Kunming High Technology Industrial Development Zone (昆明市高新技術產業開發區國家税務局) has approved Kunming World Grand for a full exemption of PRC enterprise income tax for two years starting from the first year of profitable operation in 2003, followed by a 50% reduction for the next three years.

Since Beijing Leigh-Mardon Pacific Packaging Co., Ltd. ("Beijing LMPP") is a manufacturing foreign investment enterprise located in a PRC coastal economic open zone, pursuant to Article 7 of the "Enterprise Income Tax Law for Foreign Investment Enterprise and Foreign Enterprise", it was approved by the Beijing State Tax Bureau on 17 June 1998 for a reduced PRC enterprise income tax rate of 24% commenced from year 1995. In addition, the Beijing State Tax Bureau also approved for a 50% reduction in local enterprise income tax rate (original tax rate: 3%) for the years 2002 to 2006.

Since Qingdao Leigh-Mardon Packaging Co., Ltd. ("Qingdao LMPP") is a manufacturing foreign investment enterprise located in a PRC coastal economic open zone, pursuant to Article 7 of the "Enterprise Income Tax Law for Foreign Investment Enterprise and Foreign Enterprise", it is entitled for a reduced PRC enterprise income tax rate of 24%. In addition, the Qingdao State Tax Bureau also exempts Qingdao LMPP from local enterprise income tax, which is at a rate of 3%.

Pursuant to Notice of Preferential Enterprise Income Tax for Foreign Funded Enterprises in Central and Western Region (中西部地區的外商投資企業所得税的優惠的通知), Bengbu Jinhuangshan Rotogravure Printing Co., Ltd. ("BB Jinhuangshan"), Zhaotong Antong Package Material Co., Ltd ("ZT Antong") and Changde Jinfurong Aluminium Foil Packing Materials Co., Ltd ("CD Jinfurong") are entitled to a reduced enterprise income tax rate of 15% for the years 2007, 2005 to 2007 and 2002 to 2007 respectively.

11. Income Tax Expenses *(continued)*

The reconciliation between the income tax expenses and the product of profit before tax multiplied by the applicable tax rate is as follows:

	2007 **HK$'000**	2006 HK$'000
Profit before tax	**467,947**	297,762
Tax at applicable tax rate of 15%	**70,192**	44,664
Tax effect of share of profit of associates	**(10,673)**	(10,441)
Tax effect of non-taxable income	**(2,505)**	(1,448)
Tax effect of non-deductible expenses	**34,006**	8,977
Tax effect of unrecognised temporary difference	**(1,345)**	607
Tax effect of unused tax loss not recognised	**7,003**	3,402
Tax effect of tax concession and tax refund	**(38,955)**	(28,304)
Over provision in prior year	**(264)**	—
Effect of different tax rates of subsidiaries operating in other jurisdiction	**10,585**	12,966
Income tax expenses	**68,044**	30,423

12. Earnings Per Share

(a) Basic earnings per share is calculated based on the Group's profit attributable to the equity holders of the Company for the year of approximately HK$353,837,000 (2006: HK$250,347,000) and the weighted average number of shares of approximately 814,684,000 ordinary shares in issue during the year (2006: 718,463,000 shares).

(b) No diluted earnings per share are presented as the Company did not have any potentially diluted ordinary shares for the years ended 31 December 2007 and 2006.

13. Dividends

The dividends paid during the year ended 31 December 2007 were HK$100,310,000, being HK12.8 cents per share for year 2006 final dividend and HK$54,685,000, being HK7 cents per share for year 2007 interim dividend. The dividends paid during the year ended 31 December 2006 were HK$60,679,000, being HK8.5 cents per share for year 2005 final dividend. A final dividend of HK8.9 cents per share in respect of 2007, amounted to approximately HK$86,995,000 is to be proposed at the Annual General Meeting to be held on 15 May 2008. The proposed final dividends are not recognised as liabilities at 31 December 2007.

	2007 **HK$'000**	2006 HK$'000
Interim dividend paid of HK7.0 cents (2006: Nil) per share	**54,685**	—
Proposed final dividend of HK8.9 cents (2006: HK12.8 cents) per share	**86,995**	100,310
	141,680	100,310

14. Property, Plant And Equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2006	703	5,848	208,290	13,027	15,472	–	243,340
Additions	–	2,693	25,139	1,562	1,684	–	31,078
Acquisition of subsidiaries	29,339	127	271,945	1,693	3,522	–	306,626
Disposals/write off	(8,063)	–	(15,336)	(488)	(7,598)	–	(31,485)
Exchange differences	961	208	10,777	395	554	–	12,895
At 31 December 2006	22,940	8,876	500,815	16,189	13,634	–	562,454
Acquisition of subsidiaries (Note 16)	100,492	–	313,949	16,024	6,160	12,273	448,898
Additions	1,416	446	131,081	2,384	4,842	108,918	249,087
Transfer	4,191	183	13,440	124	193	(18,131)	–
Disposals/write off	(1,565)	(15)	(9,944)	(2,098)	(5,798)	(527)	(19,947)
Exchange differences	4,881	614	56,987	1,440	1,032	3,329	68,283
At 31 December 2007	132,355	10,104	1,006,328	34,063	20,063	105,862	1,308,775
Accumulated depreciation							
At 1 January 2006	339	1,164	31,760	5,376	8,156	–	46,795
Charge for the year	1,147	1,299	40,233	2,394	3,377	–	48,450
Disposals/write off	(389)	(70)	(5,871)	(398)	(4,270)	–	(10,998)
Exchange differences	23	61	1,915	210	267	–	2,476
At 31 December 2006	1,120	2,454	68,037	7,582	7,530	–	86,723
Charge for the year	2,352	1,693	59,487	3,700	3,027	–	70,259
Disposals/write off	(124)	–	(3,314)	(1,709)	(5,466)	–	(10,613)
Exchange differences	152	226	7,271	525	360	–	8,534
At 31 December 2007	3,500	4,373	131,481	10,098	5,451	–	154,903
Carrying amount							
At 31 December 2007	**128,855**	**5,731**	**874,847**	**23,965**	**14,612**	**105,862**	**1,153,872**
At 31 December 2006	**21,820**	**6,422**	**432,778**	**8,607**	**6,104**	**–**	**475,731**

14. Property, Plant And Equipment *(continued)*

The Group's buildings are situated in the PRC.

At 31 December 2007, the carrying amounts of property, plant and equipment held by the Group under finance leases were approximately HK$148,279,000 (2006: HK$49,022,000) (Note 25). The carrying amount of the Group's property, plant and equipment amounted to approximately HK$64,310,000 (2006: HK$ Nil) were pledged as security for the Group's banking facilities (note 32) as at 31 December 2007.

During the year the Group changed the estimated useful lives of certain plant and machinery from 10 years to 15 years. As a result of this change in accounting estimate, the depreciation charge decreased by approximately HK$2,980,000 for the year 31 December 2007 and will also decrease by approximately HK$6,763,000 for the year ending 31 December 2008.

15. Prepaid Land Lease Payments

	2007 **HK$'000**	2006 HK$'000
At 1 January	**13,117**	936
Acquisition of subsidiaries	**27,727**	11,315
Additions	**211**	9,106
Amortisation of prepaid land lease payments	**(545)**	(285)
Disposal	**—**	(8,164)
Exchange differences	**1,892**	209
At 31 December	**42,402**	13,117
Current portion	**(1,045)**	(404)
Non-current portion	**41,357**	12,713

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium term leases.

16. Goodwill

	HK$'000
At 1 January 2006	1,081
Transfer from an associate	180,117
Acquisition of subsidiaries	1,043,477
At 31 December 2006 (as previously reported)	1,224,675
Adjustment to fair value of net assets of subsidiaries acquired in prior year	51,940
At 31 December 2006 (restated)	1,276,615
Acquisition of subsidiaries	1,293,183
Exchange differences	181,975
At 31 December 2007	2,751,773

On 31 October 2007, the Group completed the acquisition of the entire issued share capital of Brilliant Circle Holdings International Limited ("Brilliant Circle"), an investment holding company, which directly owned 100% equity interest in Brilliant Circle Printing and Packaging Limited ("BCPPL") and indirectly owned 100% equity interest in Brilliant Circle Development Limited ("BCDL"), 52.64% equity interest in BB Jinhuangshan, 48.85% equity interest in Changde Goldroc Rotogravure Printing Co., Ltd. ("CD Goldroc"), 73.97% equity interest in CD Jinfurong, 99% equity interest in SZ Kecai, 79.6% equity interest in XF Jinfeihuan, 80% equity interest in ZT Antong and 100% equity interest in Shenzhen Guilian Printing Ltd ("SZ Guilian"). The Group obtained board control of Brilliant Circle since 5 October 2007.

The consideration, before expenses, of HK$1,555,500,000 was satisfied by cash of HK$155,500,000 and allotment and issue of 200,000,000 new shares of HK$0.01 each of the Company at an issue price of HK$7.00 per share (note 28 (e)). The adoption of HK$7.00 per share as the fair value of shares issued by the Company at the date of exchange was based on a fair value assessment made by the board of Directors, taking into consideration all aspects of the acquisition and significant factors influencing the negotiations. The board of Directors considered the published price at the date of exchange of the shares issued for the acquisition is not a suitable indicator of fair value of the shares due to the thinness of the market of the Company's issued shares.

16. Goodwill *(continued)*

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment (note 14)	416,992	31,906	448,898
Prepaid land lease payments (note 15)	11,775	15,952	27,727
Interest in an associate	204,321	22,524	226,845
Inventories	154,106	—	154,106
Trade and other receivables	281,181	—	281,181
Prepayments and deposits	63,414	—	63,414
Pledged bank deposits	58,328	—	58,328
Bank and cash balances	45,342	—	45,342
Trade and other payables	(527,096)	—	(527,096)
Current tax liabilities	(6,599)	—	(6,599)
Bank borrowings	(366,992)	—	(366,992)
Obligations under finance leases	(21,538)	—	(21,538)
Deferred tax liabilities	(132)	(15,555)	(15,687)
NET ASSETS	313,102	54,827	367,929
Minority interests			(94,358)
Goodwill on acquisition			1,293,183
Total consideration			1,566,754
Total consideration, satisfied by			
Share consideration, at fair value			1,400,000
Cash consideration			155,500
Direct cost relating to the acquisition			11,254
			1,566,754
Net cash outflow arising on acquisition			
Cash consideration paid			(155,500)
Direct cost relating to the acquisition			(11,254)
Bank and cash balances acquired			45,342
			(121,412)

16. Goodwill *(continued)*

The new subsidiaries contributed approximately HK$297,897,000 to the Group's turnover and approximately HK$94,994,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been completed on 1 January 2007, total Group turnover would have been increased by approximately HK$769,458,000 and profit before tax for the year would have been increased by approximately HK$182,745,000. The proforma information is for illustrative purposes only and is not necessarily an indicative turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2007 **HK$'000**	2006 HK$'000
Printing of cigarette packages		
QD LMPP	**192,997**	172,738
BJ LMPP	**47,799**	42,781
World Grand Holdings Limited ("World Grand") and Kunming World Grand	**1,175,866**	1,060,016
XF Jinfeihuan	**59,141**	—
BCPPL and SZ Kecai	**527,875**	—
BB Jinhuangshan	**175,118**	—
CD Goldroc	**540,702**	—
	2,719,498	1,275,535
Manufacturing of transfer/laminated paper and laser film		
Xian Hologram	**1,094**	1,080
ZT Antong	**10,864**	—
CD Jinfurong	**20,317**	—
	32,275	1,080
	2,751,773	1,276,615

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Budgeted gross margin and turnover are based on past practices and expectations on market development.

16. Goodwill *(continued)*

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 0% to 5%.

The rates used to discount the forecast cash flows are as follows:

	2007 **HK$'000**	2006 HK$'000
Printing of cigarette packages	**14.3%**	14.5%
Manufacturing of transfer/laminated paper and laser film	**14.3%**	14.5%

17. Interests In Associates

	2007 **HK$'000**	2006 HK$'000
Unlisted investments:		
Unlisted investments in the PRC:		
Share of net assets	**321,209**	60,381

Details of the Group's associates at 31 December 2007 are as follows:

Name	**Place of incorporation/ operation**	**Particulars of registered capital**	**Percentage of interest held / profit sharing**	**Principal activities**
Nanjing Sanlong Packaging Co., Ltd ("NJ Sanlong")	PRC	US$2,100,000	48% / 48%	Printing of cigarette packages
CD Goldroc	PRC	RMB163,052,000	48.85% / 45%	Printing of cigarette packages

17. Interests In Associates *(continued)*

Summarised financial information in respect of the Group's associates is set out below:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2007					
100 per cent	1,009,829	(315,091)	694,738	646,733	152,317
Group's effective interest	470,906	(149,697)	321,209	303,593	71,152
2006					
100 per cent	276,390	(145,623)	130,767	597,491	168,462
Group's effective interest	130,280	(69,899)	60,381	250,220	69,608

18. Financial Assets At Fair Value Through Profit Or Loss

	2007 HK$'000	2006 HK$'000
Equity securities, at fair value		
Listed in Hong Kong (Note 30)	**313,324**	—
Listed outside Hong Kong	**6,726**	—
Market value of listed securities	**320,050**	—

The above financial assets are designated as at fair value through profit or loss on initial recognition.

The fair values of listed securities are based on current bid prices.

19. Available-For-Sale Financial Assets

Available-for-sale financial asset represents a club membership in the PRC.

As no quoted market prices in an active market is available, the available-for-sale financial assets is carrying at cost less any identified impairment.

20. Inventories

	2007 HK$'000	2006 HK$'000
Raw materials	**158,853**	98,047
Work in progress	**47,793**	29,831
Finished goods	**109,536**	83,503
	316,182	211,381

21. 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. The aging analysis of trade receivables, based on the invoice date, net of allowances, is as follows:

	2007 HK$'000	2006 HK$'000
Current to 30 days	**398,716**	172,158
31 to 90 days	**236,111**	96,975
Over 90 days	**113,618**	15,615
Trade receivables	**748,445**	284,748
Bills receivables	**58,758**	79,696
Other receivables	**27,021**	37,645
	834,224	402,089

The analysis of allowance for estimated irrecoverable trade receivables is as follows:—

	HK$'000
At 1 January 2006	44
Allowance for the year	169
Exchange differences	5
At 31 December 2006	218
Allowance for the year	648
Exchange differences	43
At 31 December 2007	909

21. Trade And Other Receivables *(continued)*

As of 31 December 2007, trade receivables of HK$113,618,000 (2006: HK$15,615,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007 **HK$'000**	2006 HK$'000
Up to 6 months	**109,688**	15,044
Over 6 months	**3,930**	571
	113,618	15,615

22. Pledged Bank Deposits And Bank And Cash Balances

The bank deposits carry fixed interest rates ranged from 1.5% to 4.2% (2006: 1.7% to 3.6%) and therefore are subject to fair value interest rate risk. The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group (Note 32).

Included in the pledged bank deposits and bank and cash balances is an amount of approximately HK$340,907,000 as at 31 December 2007 (2006: HK$301,631,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Included in bank and cash balances is an amount of approximately HK$10,385,000 as at 31 December 2007 (2006: HK$ Nil) which has been frozen by the banks based on the instruction of the court because a settlement petition against a subsidiary has been initiated by a creditor during the year.

23. Trade And Other Payables

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2007 HK$'000	2006 HK$'000
Current to 30 days	**180,736**	115,517
31 to 90 days	**123,427**	48,813
Over 90 days	**39,717**	13,614
Trade payables	**343,880**	177,944
Bills payables	**127,206**	84,394
Other payables	**476,771**	133,612
	947,857	395,950

24. Bank Borrowings

	2007 HK$'000	2006 HK$'000
Bank loans	**1,438,905**	74,390
Bank overdrafts	**106**	—
	1,439,011	74,390
Secured (note 32)	**368,590**	74,390
Unsecured	**1,070,421**	—
	1,439,011	74,390
The borrowings are repayable as follows:—		
On demand or within one year	**355,962**	74,390
In the second year	**493,970**	—
In the third to fifth years, inclusive	**589,079**	—
	1,439,011	74,390
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(355,962)**	(74,390)
Amount due for settlement after 12 months	**1,083,049**	—

24. Bank Borrowings *(continued)*

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HK$ HK$'000	RMB HK$'000	USD HK$'000	Total HK$'000
2007				
Bank loans	457,957	356,631	624,317	1,438,905
Bank overdrafts	106	—	—	106
	458,063	356,631	624,317	1,439,011
2006				
Bank loans	50,000	24,390	—	74,390

The range of effective interest rates at 31 December were as follows:

	2007	2006
Bank loans	**4.25% to 8.02%**	5.58% — 6.44%
Bank overdrafts	**7.00%**	N/A

Bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group has entered into currency and interest rate swaps to exchange USD loans of approximately HK$624,317,000 and HK$ loans of HK$430,000,000 to RMB loans and to exchange variable rate interest of these loans to fixed rate interest in order to hedge against the cash flow currency and interest rate risks (note 26).

25. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Within one year	**21,060**	16,900	**18,461**	15,456
In the second to fifth years, inclusive	**37,241**	14,171	**34,834**	13,361
	58,301	31,071	**53,295**	28,817
Less: future finance charges	**(5,006)**	(2,254)	**N/A**	N/A
Present value of lease obligations	**53,295**	28,817	**53,295**	28,817
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(18,461)**	(15,456)
Amount due for settlement after 12 months			**34,834**	13,361

The lease terms range from 2 to 4 years.

At 31 December 2007, the average effective borrowing rate was 5.5% (2006: 6.8%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are effectively secured as the rights to the leased assets (Note 14) revert to the lessor in the event of default and guarantees executed by two subsidiaries. All finance lease obligations are denominated in HK$.

26. Other Financial Assets/(Liabilities)

	Current		Non-current	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Derivatives under hedge accounting				
Cash flow hedges — Interest rate swaps	**23,056**	—	**19,734**	—
Cash flow hedges — Foreign currency swaps	**—**	—	**(190,812)**	—

Interest rate swaps:

During the year, the Group used interest rate swaps to minimize its exposure to cash flow risk of certain of its variable rate HK$ and USD bank borrowings by swapping the borrowings from variable rates to fixed rates. The interest rate swaps and the corresponding borrowings have the same terms and the Directors consider that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

2007 **Notional amount**	**Maturity**	**Swaps**
USD20,000,000	semi-annually from May 2008 to May 2010	USD 6 months Libor + 0.93% for 2.75%
USD17,000,000	semi-annually from May 2008 to May 2010	USD 6 months Libor + 0.93% for 2.85%
USD40,000,000	semi-annually from May 2008 to May 2010	USD 6 months Libor + 0.93% for 3.25%
USD3,000,000	semi-annually from May 2008 to May 2010	USD 6 months Libor + 0.93% for 2.85%
HK$273,000,000	semi-annually from February 2008 to August 2010	HK$ 6 months Hibor + 0.93% for 2.85%
HK$157,000,000	semi-annually from February 2008 to August 2010	HK$ 6 months Hibor + 0.93% for 0.30%

26. Other Financial Assets/(Liabilities) *(continued)*

During the year, fair value gain of approximately HK$37,675,000 (2006: HK$ Nil) have been deferred in equity and are expected to release to the consolidated income statement at various dates in the coming three years after the balance sheet date, the period in which the repayment of bank interests are expected to occur.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Foreign currency swaps:

At balance sheet date, the Group had the following foreign exchanges swaps designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to certain foreign currency bank borrowings.

The terms of the foreign exchange swaps have been negotiated to match the terms of the respective designated hedged items.

Major terms of these contracts are as follows:

Notional amount	Maturity	Swaps
USD20,000,000	2009-2010	USD1 / RMB7.6589
USD17,000,000	2009-2010	USD1 / RMB7.6602
USD40,000,000	2009-2010	USD1 / RMB7.6284
USD 3,000,000	2009-2010	USD1 / RMB7.6070
HK$273,000,000	2009-2010	HK$1 / RMB0.9732
HK$157,000,000	2009-2010	HK$1 / RMB0.9540

During the year, fair value losses of approximately HK$190,010,000 (2006: HK$ Nil) have been deferred in equity and are expected to be released to the consolidated income statement at various dates in the coming three years after the balance sheet date, the period in which the repayment of bank borrowings are expected to occur.

The fair values of foreign currency swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

26. Other Financial Assets/(Liabilities) *(continued)*

During the year, gain and losses transferred from equity to profit or loss are included in the following line items in the consolidated income statement:

	2007 **HK$'000**	2006 HK$'000
Other income	**(802)**	—
Finance costs	**14,231**	—
	13,429	—

27. Deferred Tax Liabilities

The following are the major deferred tax liabilities recognised by the Group.

	Accelerated tax depreciation HK$'000	**Revaluation of property plant and equipment** HK$'000	**Interests in associates** HK$'000	**Total** HK$'000
At 1 January 2006	—	—	—	—
Acquisition of subsidiaries	—	17,726	—	17,726
At 31 December 2006	—	17,726	—	17,726
Acquisition of subsidiaries	132	8,883	6,672	15,687
Credit to income statement	—	(1,855)	—	(1,855)
Exchange differences	—	279	—	279
At 31 December 2007	132	25,033	6,672	31,837

At the balance sheet date the Group had unused tax losses of approximately HK$168.2 million (2006: HK$82.9 million) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. The unrecognized tax losses may be carried forward indefinitely.

28. Share Capital

	Note	Number of Shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 31 December 2006 and 2007		1,000,000	10,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2006		480,000	4,800
Issue of new shares	(a)	96,000	960
	(b)	16,670	167
	(c)	121,200	1,212
	(d)	69,800	698
At 31 December 2006		783,670	7,837
Issue of new shares	(e)	200,000	2,000
Cancellation upon repurchases of shares	(f)	(6,198)	(62)
At 31 December 2007		977,472	9,775

Notes:

(a) Pursuant to a share subscription agreement dated 23 December 2005, the subscriber, AMB Packaging Pte Limited, subscribed for 96,000,000 new shares of HK$0.01 each at a subscription price of HK$2.50 per share on 27 February 2006.

(b) Pursuant to a share subscription agreement dated 23 December 2005, the subscriber, Amcor Fibre Packaging-Asia Pte Limited, subscribed for 16,670,000 new shares of HK$0.01 each at a subscription price of HK$4.20 per share on 27 February 2006.

(c) On 27 February 2006, 121,200,000 new ordinary shares of HK$0.01 each were issued at HK$4.20 per share as consideration for acquisition of 100% shareholding of Bellgate International Limited ("Bellgate").

(d) On 31 May 2006, 69,800,000 new ordinary shares of HK$0.01 each were issued at HK$7.00 per share as consideration for acquisition of the remaining 68.5% shareholding of World Grand Holdings Limited ("World Grand").

(e) On 31 October 2007, 200,000,000 new ordinary shares of HK$0.01 each were issued at HK$7.00 per share as part of the consideration for acquisition of 100% shareholding of Brilliant Circle (note 16).

(f) During the year, the Company repurchased on the Stock Exchange a total of 6,198,000 ordinary shares of the Company at an aggregate consideration of HK$69,180,000. All of these shares were cancelled.

(g) The excess of the issued price over the par value of the shares issued in (a) to (e) has been credited to share premium account of the Company. The premium payable on repurchases of shares during the year in (f) has been charged to the share premium account.

(h) All shares, both issued and unissued, rank pari passu in all respects at 31 December 2007.

28. Share Capital *(continued)*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings (as detailed in notes 24 and 25) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interests, retained earnings and other reserves) other than debit amounts recognised in equity relating to cash flow hedges.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-adjusted capital at 31 December 2007 and at 31 December 2006 were 16.0% and (10.2%), respectively.

	2007 **HK$'000**	2006 HK$'000
Total borrowings	**1,492,306**	103,207
Less: cash and cash equivalents	**(811,038)**	(336,963)
Net debt	**681,268**	(233,756)
Total equity	**4,092,606**	2,297,247
Add: debit amounts recognised in equity relating to cash flow hedges	**152,335**	—
Adjusted capital	**4,244,941**	2,297,247
Debt-to-adjusted capital	**16.0%**	(10.2%)

The increase in debt-to-adjusted capital was primarily due to the draw down of bank borrowings used for the acquisition of Brilliant Circle.

28. Share Capital *(continued)*

The externally imposed capital requirements of the Group is to maintain a total borrowings to consolidated tangible net worth not higher than 1:1 on 31 December 2007 in accordance with the bank covenant imposed. As at 31 December 2007, ratio for total debt to consolidated tangible net worth was 0.99:1.

29. Reserves

Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the 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.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d) (iii) to the financial statements.

(iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges in note 3(w) to the financial statements

(iv) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

30. Share-Based Payments

Cash-settled share-based payments

On 13 June 2007, the Company adopted the Employees' Share Award Scheme under which shares ("Awarded Shares") of the Company may be awarded to certain employees of the Group in accordance with the terms and conditions imposed by the Board of the Company. The Employees' Share Award Scheme is valid and effective for a term of 10 years commencing on 13 June 2007. Pursuant to the rules of the Employees' Share Award Scheme, an administrator has been appointed to administer the Employees' Share Award Scheme and holding the Awarded Shares. On or after the vesting date, the selected employee shall be entitled to sell in whole or in part his Awarded Shares through the administrator and receive the gain on the disposal of his Awarded Shares, being excess of sales proceeds over original costs of the Awarded Shares purchased by the Company, together with the related income attributable to the Award Shares disposed. During the year, a total of 28,484,000 shares of the Company has been awarded to certain employees of the Group vesting between June 2008 to December 2013. The administrator acquired 28,484,000 Awarded Shares at a total cost of HK$299,810,000 during the year.

At 31 December 2007, the Group has recorded liabilities of approximately HK$7,258,000 (2006: Nil). The fair value of the Employees' Share Award Rights is determined using the Black-Scholes Model. The inputs into the model were as follows:

	2007	2006
Share price	**HK$11.00**	N/A
Subscription price	**HK$11.21 to HK$12.82**	N/A
Expected volatility	**46.19%**	N/A
Expected life	**4.5 to 5.0 years**	N/A
Risk free rate	**3.1%**	N/A
Expected dividend yield	**1.8%**	Nil

Expected volatility was determined by referencing to the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recorded total expenses of approximately HK$7,258,000 (2006: Nil) during the year in respect of the Employees' Share Award Rights.

31. Related Party Transactions

Save as disclosed elsewhere in these financial statements, the Group had the following material related party transactions during the year:

	2007 HK$'000	2006 HK$'000
Sales to associates	**219,946**	205,492
Purchases from an associate	**801**	86
Purchases from related companies	**2,919**	—
Rental income received from a related company	**512**	—

Notes:

(a) The sales to associates and purchases from an associate and related companies were made under normal commercial terms and conditions that would also be available to unrelated third parties.

(b) Rental income received is determined by mutually agreed term between the related company and the Group.

(c) An office premises occupied by the Group was provided by a related company at no cost.

(d) A substantial shareholder and/or his family member has beneficial interests in the abovesaid related companies.

At balance sheet date, the following balances with related parties included in:

	2007 HK$'000	2006 HK$'000
Trade and other receivables:		
An associate	**78,435**	56,569
Trade and other payables:		
An associate	**69,604**	280
A substantial shareholder	**42,537**	—

The amount due from an associate is trade in nature, unsecured, interest free and repayable within 90 days.

The amounts due to an associate and a substantial shareholder are unsecured, interest free and have no fixed term of repayment.

32. Banking Facilities

As at 31 December 2007, banking facilities of the Group are mainly secured by the charge over certain bank deposits (note 22), property, plant and equipment (note 14); corporate guarantees given by the Company, an associate and a company of a substantial shareholder; personal guarantees executed by a substantial shareholder and his family member and a property held by a substantial shareholder of the Group.

At as 31 December 2006, banking facilities of the Group are mainly secured by the charge over certain bank deposits of the Group and corporate guarantee given by the Company.

33. Major Non Cash Transaction

Save as disclosed elsewhere in these financial statements, the major non cash transaction of the Group is the additions of property, plant and equipment during the year of approximately HK$36,260,000 (2006: Nil) which were financed by finance leases.

34. Commitments

As at 31 December 2007, the Group had the following commitments:

a. Operating lease commitments

The Group leases certain of its office and factory premises under operating lease arrangements. The original lease terms for the office and factory premises range from one year to fifteen years.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**21,098**	7,075
In the second to fifth years, inclusive	**70,597**	12,096
After five years	**123,645**	2,087
	215,340	21,258

b. Capital commitments

	2007	2006
	HK$'000	HK$'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	**33,024**	55,550

Save as disclosed above, the Group did not have any other significant capital and operating lease commitments as at 31 December 2007 (2006: Nil).

35. Contingent Liabilities

At 31 December 2007, the Group did not have any significant contingent liabilities (2006: Nil).

36. Segment Information

Primary reporting format — business segments

	Printing of cigarette packages		Manufacturing of transfer / laminated paper and laser film		Corporate and unallocated		Elimination		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
REVENUE										
External sales	1,830,536	885,339	301,785	237,235	–	–	–	–	2,132,321	1,122,574
Inter-segment sales	8,770	6,885	128,443	100,047	–	–	(137,213)	(106,932)	–	–
Total	1,839,306	892,224	430,228	337,282	–	–	(137,213)	(106,932)	2,132,321	1,122,574
RESULTS										
Segment results	389,240	288,952	43,766	80,203	–	–	–	–	433,006	369,155
Unallocated expenses									(65,223)	(155,699)
Other income									53,331	29,540
Finance costs									(24,319)	(14,842)
Share of profit of associates	71,152	69,608	–	–	–	–	–	–	71,152	69,608
Income tax expenses									(68,044)	(30,423)
Profit for the year									399,903	267,339
ASSETS										
Segment assets	2,234,222	1,103,640	417,501	210,078	–	–	–	–	2,651,723	1,313,718
Interests in associates	321,209	60,381	–	–	–	–	–	–	321,209	60,381
Unallocated assets									3,810,903	1,449,738
Consolidated total assets									6,783,835	2,823,837
LIABILITIES										
Segment liabilities	921,996	254,413	162,590	35,376	–	–	–	–	1,084,586	289,789
Unallocated liabilities									1,606,643	236,801
Consolidated total liabilities									2,691,229	526,590
OTHER INFORMATION										
Capital expenditure	238,408	20,531	8,377	16,604	2,513	3,049	–	–	249,298	40,184
Depreciation and amortisation	53,168	36,549	13,601	7,382	4,035	4,804	–	–	70,804	48,735
Impairment loss on receivables	5,707	6,049	1,991	–	20	–	–	–	7,718	6,049
Write down of inventories	2,960	–	(133)	–	–	–	–	–	2,827	–

36. Segment Information *(continued)*

Secondary reporting format — geographical segments

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

37. Principal Subsidiaries

Name	Place of incorporation/ registration and operation	Issued and fully paid-up share capital/ registered capital	Percentage of ownership interest/ profit sharing Direct	Indirect	Principal activities
Victory Honest Group Limited	British Virgin Islands ("BVI")	Ordinary HK$1,000	100%	–	Investment holding
Mega Vision Enterprises Limited	BVI	Ordinary USD1	–	100%	Investment holding
Victory Honest (Holdings) Limited	Hong Kong	Ordinary HK$6,060,100	–	100%	Investment holding
Glory Express International Limited	Hong Kong	Ordinary HK$2	–	100%	Investment holding
Charm Profit Holdings Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Victory Honest Shenzhen (note a)	PRC	Registered capital USD15,000,000	–	100%	Printing of cigarette packages and manufacturing of transfer/laminated paper
Mattie Hologram (note b)	PRC	Registered capital EURO3,000,000	–	100%	Manufacturing of laser film
Xian Hologram (note c)	PRC	Registered capital RMB7,140,000	–	51%	Manufacturing of laser film
World Grand	Hong Kong	Ordinary HK$13,333,333	–	100%	Investment holding
Kunming World Grand (note d)	PRC	Registered capital USD7,500,000	–	100%	Printing of cigarette packages
Bellgate	BVI	Ordinary HK$509,040,001	–	100%	Investment holding
Leigh-Mardon Pacific Packaging Co., Ltd.	Singapore	Ordinary SG$85,495,870	–	100%	Investment holding
Beijing LMPP (note e)	PRC	Registered capital USD13,000,000	–	83%	Printing of cigarette packages
Qingdao LMPP (note f)	PRC	Registered capital USD15,515,000	–	60%	Printing of cigarette packages
Famous Plus Group Limited	Hong Kong	Ordinary HK$100	–	55%	Investment holding
Dongguan KWG Colour Printing Co., Ltd ("DG KWG") (note g)	PRC	Registered capital HK$40,000,000	–	55%	Printing of cigarette packages

37. Principal Subsidiaries *(continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up share capital/ registered capital	Percentage of ownership interest/ profit sharing Direct	Indirect	Principal activities
Brilliant Circle	BVI	Ordinary USD1	–	100%	Investment holding
BCDL	Hong Kong	Ordinary HK$2,000,000	–	100%	Investment holding and trading of machines, paper and spare parts
BCPPL	BVI	Ordinary USD10,000	–	100%	Investment holding
BB Jinhuangshan (note h)	PRC	Registered capital USD6,300,000	–	52.64%/37.64%	Printing of cigarette packages
CD Jinfurong (note i)	PRC	Registered capital USD1,589,000	–	73.97%/note n	Manufacturing of transfer/laminated paper
SZ Guilian (note j)	PRC	Registered capital HK$9,600,000	–	100%	Investment holding
XF Jinfeihuan (note k)	PRC	Registered capital USD3,000,000	–	79.6%	Printing of cigarette packages
ZT Antong (note l)	PRC	Registered capital USD1,000,000	–	80%/51%	Manufacturing of transfer / laminated paper
SZ Kecai (note m)	PRC	Registered capital RMB144,870,000	–	99.31%/99%	Printing of cigarette packages

Notes:

(a) Victory Honest Shenzhen is a wholly foreign-owned enterprise with an operating period of 50 years commencing from 23 February 1993.

(b) Mattie Hologram is a wholly foreign-owned enterprise with an operating period of 50 years commencing from 21 June 2004.

(c) Xian Hologram is a sino-foreign equity joint venture enterprise with an operating period of 10 years commencing from 12 April 2000.

(d) Kunming World Grand is a wholly foreign-owned enterprise with an operating period of 20 years commencing from 7 March 2002.

(e) Beijing LMPP is a sino-foreign equity joint venture enterprise with an operating period of 50 years commencing from 12 May 1995.

(f) Qingdao LMPP is a sino-foreign equity joint venture enterprise with an operating period of 30 years commencing from 19 May 1993.

37. Principal Subsidiaries *(continued)*

Notes: *(continued)*

(g) DG KWG is a wholly foreign-owned enterprise with an operating period of 25 years commencing from 24 December 2007.

(h) BB Jinhuangshan is a sino-foreign equity joint venture enterprise with an operating period of 21 years commencing from 22 October 1997.

(i) CD Jinfurong is a sino-foreign cooperative joint venture established in the PRC with an operating period of 12 years commencing from 27 June 1996.

(j) SZ Guilian is a wholly foreign-owned enterprise with an operating period of 20 years commencing from 22 December 1990.

(k) XF Jinfeihuan is a sino-foreign equity joint venture enterprise with an operating period of 15 years commencing from 31 July 2000.

(l) ZT Antong is a sino-foreign equity joint venture enterprise with an operating period of 10 years commencing from 19 May 2001.

(m) SZ Kecai is a sino-foreign equity joint venture enterprise with an operating period of 10 years commencing from 21 July 2003.

(n) Pursuant to a board resolution dated 18 March 2002, the profit sharing ratio entitled by the joint venture partners are calculated by reference to the sales volume of specific products at agreed rates. The profit sharing ratio entitled by the Group according to the aforesaid calculation is 49.6% for the year ended 31 December 2007.

The English names of these companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

38. Comparative Figures

Certain comparative figures in relation to selling and distribution costs, administrative expenses, deposits for purchase of plant and equipment, prepayments and deposits and trade and other payables have been reclassified so as to conform with current year's presentation.

39. Approval Of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 7 April 2008.

Summary Financial Information

The following is a summary of the results and of the assets and liabilities of the Group prepared on the bases set out in notes 1 and 2 below:

	Year ended 31 December				
		(Restated)			
	2007 **HK$'000**	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
RESULTS					
Turnover					
Cigarette packages	**1,830,536**	885,339	132,302	97,668	100,890
Transfer/laminated paper and laser film	**301,785**	237,235	251,211	234,702	131,137
	2,132,321	1,122,574	383,513	332,370	232,027
Profit before share of profit of associates	**396,795**	228,154	110,956	80,259	46,642
Share of profit of associates	**71,152**	69,608	76,018	38,342	47,901
Profit before tax	**467,947**	297,762	186,974	118,601	94,543
Income tax expenses	**(68,044)**	(30,423)	(2,135)	(7,715)	(4,291)
	399,903	267,339	184,839	110,886	90,252
Attributable to:					
Equity holders of the Company	**353,837**	250,347	181,353	110,815	90,252
Minority interests	**46,066**	16,992	3,486	71	—
ASSETS AND LIABILITIES					
Non-current assets	**4,660,299**	1,833,858	458,644	291,215	152,588
Current assets	**2,123,536**	989,979	480,072	424,503	190,490
Current liabilities	**(1,350,697)**	(495,503)	(255,370)	(339,448)	(188,483)
Non-current liabilities	**(1,340,532)**	(31,087)	(28,780)	(15,970)	(14,868)
Total equity	**4,092,606**	2,297,247	654,566	360,300	139,727

Notes:

1. The results of the Group for each of the two years ended 31 December 2003 and 2004 have been prepared on a proforma combined basis as if the Group structure immediately after the Group Reorganisation had been in existence throughout those years. The assets and liabilities of the Group for the years ended 31 December 2003 and 2004 have been prepared as if the Group structure immediately after the Group Reorganisation had been in existence as at those dates.

2. The Company was incorporated in the Cayman Islands on 27 November 2003 and became the holding company of the companies now comprising the Group as a result of the Group Reorganisation which was completed on 10 March 2004.

Design, Photography and Production:
i.Link Financial Printing Services Limited www.ilinkfin.com

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