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AMVIG HOLDINGS LIMITED
澳科控股有限公司*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2300)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

FINANCIAL HIGHLIGHTS

- On a constant currency basis, turnover for the Reporting Period increased by 0.4% as compared to the corresponding period in prior year.
- The underlying profit attributable to owners of the Company for the Reporting Period, excluding the exchange loss of HK\$26.4 million (2019: exchange gain of HK\$3.2 million) and on a constant currency basis, decreased by 21.2% to HK\$145.6 million. Reported profit attributable to owners of the Company decreased by 40.1% to HK\$112.6 million.
- Basic earnings per share was HK12.1 cents (2019: HK20.2 cents). Underlying basic earnings per share (excluding exchange loss and on a constant currency basis) was HK15.7 cents (2019: HK19.9 cents).
- Interim dividend of HK6 cents per share (2019: HK8.1 cents and special dividend of HK4 cents per share) was declared.
- Underlying results have been impacted by both COVID-19 and changes to the Yunnan tender rules.
- Management have started to take measures, which include reducing costs and expenses, in order to mitigate the adverse impacts during the Reporting Period. Such measures will be ramped up in the second half year of 2020 when the related impacts will be fully reflected.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of AMVIG Holdings Limited (the “**Company**” or “**AMVIG**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2019 as follows:

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		For the six months ended 30 June	
		2020	2019
	<i>Note</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	1,132,503	1,181,497
Cost of goods sold		(811,289)	(815,285)
Gross profit		321,214	366,212
Other income	4	22,743	32,582
Selling and distribution costs		(24,902)	(33,571)
Administrative expenses		(81,726)	(77,739)
Other operating expenses	5	(29,466)	(2,408)
Finance costs		(25,483)	(40,945)
Share of profit of associates		5,921	41,542
Profit before tax	6	188,301	285,673
Income tax expenses	7	(48,879)	(69,165)
Profit for the period		139,422	216,508
Attributable to:			
– Owners of the Company		112,597	187,844
– Non-controlling interests		26,825	28,664
		139,422	216,508
Earnings per share			
– basic (HK cents)	8b	12.1	20.2
– diluted (HK cents)	8c	N/A	N/A

Reconciliation of underlying profit attributable to owners of the Company:

		For the six months ended 30 June	
		2020	2019
	<i>Note</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit attributable to owners of the Company (as above)		112,597	187,844
Constant currency variance ¹		6,593	–
Add/(Less): Exchange loss/(gain)		26,380	(3,226)
Underlying profit attributable to owners of the Company		145,570	184,618
Underlying basic earnings per share (HK cents)	8a	15.7	19.9

¹ The constant currency variance was calculated by translating the Reporting Period's results from RMB into HK dollars at the average exchange rates applicable in the prior corresponding period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>139,422</u>	<u>216,508</u>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(63,111)	(9,145)
Share of other comprehensive income of associates	(14,550)	(656)
Cash flow hedges		
Change in fair value of hedging instruments arising during the period	–	(798)
Reclassification adjustments for losses relating to the hedging instruments included in profit or loss	–	8,246
	<u>–</u>	<u>7,448</u>
Other comprehensive income for the period, net of tax	<u>(77,661)</u>	<u>(2,353)</u>
Total comprehensive income for the period	<u>61,761</u>	<u>214,155</u>
Attributable to:		
– Owners of the Company	40,507	186,178
– Non-controlling interests	21,254	27,977
	<u>61,761</u>	<u>214,155</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		826,352	854,361
Right-of-use assets		182,275	185,900
Goodwill		2,510,702	2,559,487
Interests in associates		750,753	762,579
Other non-current assets		14,071	16,755
		<hr/>	<hr/>
Total non-current assets		4,284,153	4,379,082
		<hr/>	<hr/>
Current assets			
Inventories		409,411	383,759
Trade and other receivables	<i>10</i>	639,091	603,296
Contract assets		5,392	1,257
Prepayments and deposits		19,392	21,298
Current tax assets		8,333	16,755
Pledged bank deposits		4,933	6,970
Bank and cash balances		1,208,492	1,173,482
		<hr/>	<hr/>
Total current assets		2,295,044	2,206,817
		<hr/> <hr/>	<hr/> <hr/>
TOTAL ASSETS		6,579,197	6,585,899
		<hr/> <hr/>	<hr/> <hr/>

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Note</i>		
EQUITY			
Capital and reserves			
Share capital		9,290	9,290
Reserves		<u>3,730,695</u>	<u>3,740,357</u>
Equity attributable to owners of the Company		<u>3,739,985</u>	3,749,647
Non-controlling interests		<u>287,233</u>	<u>292,062</u>
Total equity		<u>4,027,218</u>	<u>4,041,709</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,712	4,810
Deferred tax liabilities		<u>20,785</u>	<u>25,450</u>
Total non-current liabilities		<u>26,497</u>	<u>30,260</u>
Current liabilities			
Trade and other payables	<i>11</i>	949,921	956,838
Contract liabilities		3,498	1,430
Current tax liabilities		18,655	3,709
Bank borrowings		1,548,983	1,549,091
Lease liabilities		<u>4,425</u>	<u>2,862</u>
Total current liabilities		<u>2,525,482</u>	<u>2,513,930</u>
Total liabilities		<u>2,551,979</u>	<u>2,544,190</u>
TOTAL EQUITY AND LIABILITIES		<u>6,579,197</u>	<u>6,585,899</u>
Net current liabilities		<u>(230,438)</u>	<u>(307,113)</u>
Total assets less current liabilities		<u>4,053,715</u>	<u>4,071,969</u>

Notes:

1. BASIS OF PREPARATION

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

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the annual financial statements for the year ended 31 December 2019. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, which term collectively includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the audited financial statements of the Group for the year ended 31 December 2019. In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed consolidated financial statements for the current and/or prior accounting periods.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. TURNOVER

The Group is principally engaged in printing of cigarette packages.

4. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on sales of scrapped materials	1,498	2,687
Net exchange gain	–	3,226
Interest income	9,401	8,810
Government grants and compensation received	2,454	3,977
Subcontracting fee income	6,454	11,425
Sundry income	2,936	2,457
	22,743	32,582

5. OTHER OPERATING EXPENSES

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange loss	26,380	–
Loss on disposals of property, plant and equipment	2,518	512
Other expenses	568	1,896
	<u>29,466</u>	<u>2,408</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	(9,401)	(8,810)
Staff costs including Directors' emoluments	135,820	126,388
Cost of inventories sold	811,289	815,285
Depreciation and amortisation	52,588	43,347
Loss on disposal of property, plant and equipment	2,518	512
	<u>2,518</u>	<u>512</u>

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
People's Republic of China (the "PRC") corporate income tax and withholding tax		
– current	55,983	77,707
– overprovision in prior year	(1,368)	(2,771)
Other deferred tax	(5,736)	(5,771)
	<u>48,879</u>	<u>69,165</u>

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

The provision for the PRC income tax is calculated based on the statutory income tax rates according to the relevant income tax laws and regulations in the PRC.

8. EARNINGS PER SHARE

- (a) Underlying basic earnings per share is calculated based on the Group's unaudited underlying profit attributable to owners of the Company, on a constant currency basis, for the Reporting Period of approximately HK\$145,570,000 (2019: HK\$184,618,000) and the weighted average number of approximately 929,047,000 ordinary shares in issue during the Reporting Period (2019: 929,047,000 ordinary shares).
- (b) Basic earnings per share is calculated based on the Group's unaudited profit attributable to owners of the Company for the Reporting Period of approximately HK\$112,597,000 (2019: HK\$187,844,000) and the weighted average number of approximately 929,047,000 ordinary shares in issue during the Reporting Period (2019: 929,047,000 ordinary shares).
- (c) No diluted earnings per share are presented as the Company did not have any potentially dilutive ordinary shares as the exercise price of the share options are higher than the average market price of the Company's shares for the six months ended 30 June 2020 and 2019.

9. DIVIDENDS

- (a) Dividends attributable to the interim period:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK6 cents per share declared (2019: HK8.1 cents)	55,743	75,253
Special dividend of Nil per share declared (2019: HK4 cents)	—	37,162
	<u>55,743</u>	<u>112,415</u>

The interim dividend for the Reporting Period has not been recognised as a liability at the end of the period.

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2019, approved but not yet paid during the interim period, of HK5.4 cents per share (2019: HK6.4 cents per share in respect of the financial year ended 31 December 2018, approved and paid during the interim period)	<u>50,169</u>	<u>59,459</u>

10. TRADE AND OTHER RECEIVABLES

The general credit terms of the Group granted to its trade customers range from one month to three months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management. An aging analysis of trade receivables, based on the invoice date, net of allowances, is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current to 30 days	232,547	247,561
31 to 90 days	195,786	196,383
Over 90 days	<u>56,408</u>	<u>15,512</u>
Trade receivables	484,741	459,456
Bills receivables	27,613	15,272
Other receivables – associates	62,179	63,391
Other receivables – others	<u>64,558</u>	<u>65,177</u>
	<u>639,091</u>	<u>603,296</u>

11. TRADE AND OTHER PAYABLES

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current to 30 days	210,071	254,315
31 to 90 days	233,936	226,823
Over 90 days	<u>146,511</u>	<u>146,627</u>
Trade payables	590,518	627,765
Bills payables	152,262	135,273
Dividend payable	50,169	–
Other payables	<u>156,972</u>	<u>193,800</u>
	<u>949,921</u>	<u>956,838</u>

12. EVENT AFTER THE REPORTING PERIOD

On 12 August 2020, the Company as borrower, two subsidiaries of the Company as guarantors, and various financial institutions as agent, arrangers and lenders entered into the facilities agreement (the “**Facilities Agreement**”) pursuant to which a term loan facility of HK\$850,000,000 (the “**Facility A Loan**”) and a revolving loan facility of HK\$500,000,000 (the “**Facility B Loan**”, together with the Facility A Loan, the “**Loan Facilities**”) are made available to the Company. The Facility A Loan is repayable in its entirety on the day which is 36 months from the date of the first utilisation of the Loan Facilities (the “**Final Maturity Date**”). If a Facility B Loan is drawn, it is repayable on the last day of its interest period, being either one, two or three months or any other period agreed between the Company and the facility agent provided that it shall not extend beyond the Final Maturity Date. The Company expects to drawdown the Loan Facilities to fully repay the existing loan facilities on 31 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Tobacco Industry

Despite the outbreak of the coronavirus disease 2019 (“COVID-19”), sales of cigarettes in China improved in the first half of 2020. Cigarettes sold in volume and value increased by 1.95% and 5.6%, respectively. This once again shows a relatively inelastic demand in cigarette products in China and also the importance of tax revenue brought by tobacco. It also indicated the continuous improvement in product mix.

It should also be noted that the number of new variants being introduced to the market during the six months ended 30 June 2020 reduced substantially when compared to corresponding period of last year. On the other hand, the number of variants being taken out due to poor performance outnumbered the number of new variants. This indicated a higher degree of consolidation of cigarette products in China following the “Three Large Policy” adopted by the State Tobacco Monopoly Administration since last year.

Group Performance

In late 2019, Yunnan China National Tobacco Corporation (“CNTC”) announced changes to tender rules, placing more emphasis on price as opposed to technical elements aiming to stem out corruption. Such measure affected all tobacco packaging suppliers of Yunnan CNTC. Although the volume increased as a result of the tender, it inevitably exerted margin pressure on the Group’s orders in the Yunnan province. In addition, the COVID-19 outbreak in late January 2020 has been a challenge for the whole of China. Facing this, the Group has taken extra precaution and responded very successfully to the challenge. None of the Group’s employees had contracted the virus since the start of the outbreak. Nevertheless, the prolonged suspension of production in all factories to minimize the risk of infection at work places since Chinese New Year had caused disruptions to supply chains and delays in productions and orders for the Group. Accordingly, the Group’s performance was impacted by the COVID-19 outbreak and the recent tender in Yunnan during the Reporting Period.

Management have started to take measures, which include reducing costs and expenses, in order to mitigate the adverse impacts arising from both COVID-19 and changes to the Yunnan tender rules during the Reporting Period. However, it took some time for these measures to be in place and the savings to ramp up. Nevertheless, operating expenses and finance costs dropped when compared to the corresponding period of last year and these had, to a certain extent, mitigated some of the impact of the abovementioned adverse factors.

Excluding the exchange difference incurred on the Group’s Hong Kong dollar denominated borrowings, and on a constant currency basis, the Group’s underlying profit reduced by 21.2% when compared to the first half of last year. The Group’s profit attributable to owners of the Company reduced by 40.1% from HK\$187.8 million in the first half of 2019 to HK\$112.6 million during the Reporting Period.

The Board has declared an interim dividend of HK6 cents per share to shareholders of the Company.

FINANCIAL REVIEW

Turnover

For the Reporting Period, the Group's results were affected by the COVID-19 outbreak, which caused suspension in a number of our operations and delays in orders. In addition, as reported previously, revision of tendering rules in Yunnan Province, which put more emphasis on price, posed pricing pressure for our plants in Yunnan. However, the aforementioned factors which depressed the Group turnover were offset partially by the consolidation of results of our Nanjing Plant, which has become a subsidiary of the Company since the second half of 2019. Despite this, the Group's turnover showed a decrease of 4.1%. On a constant currency basis, turnover increased slightly by 0.4% when compared to the corresponding period in 2019.

Gross Profit

As a result of the COVID-19 outbreak and the changes to the Yunnan tender rules, the Group experienced margin pressure due to higher unit fixed costs and reduced unit selling prices for our plants in Yunnan. Gross profit margin dropped from 31% in the first half of 2019 to 28.4% for the Reporting Period.

Other Income

Other income, comprising mainly exchange gain, interest income and subcontracting fee income, was HK\$22.7 million (2019: HK\$32.6 million). The decrease was mainly due to less subcontracting works in one of our plants located in Hubei, which was affected by the COVID-19 outbreak, as well as the absence of any exchange gain during the Reporting Period. Whereas in the first half of 2019, HK\$3.2 million of exchange gain was recognised on the Group's Hong Kong dollar denominated borrowings.

Operating Costs

For the Reporting Period, operating expenses (including selling and distribution costs and administrative expenses) reduced from HK\$111.3 million to HK\$106.6 million. It should also be noted that this was against the background of additional operating expenses of our Nanjing Plant being consolidated in the Reporting Period, whereas those expenses were equity accounted for in the first half of 2019. Such savings resulted from the management's efforts in containing expenses, as well as less travelling and entertainment expenses being incurred since the COVID-19 outbreak.

Other Operating Expenses

Other operating expenses for the Reporting Period primarily represent an exchange loss of HK\$26.4 million incurred on the Group's Hong Kong dollar denominated borrowings as Renminbi depreciated against Hong Kong dollars. There was no such exchange loss in the corresponding period of last year.

Finance Costs

Finance costs decreased from HK\$40.9 million in the first half of 2019 to HK\$25.5 million for the Reporting Period due to less bank borrowings outstanding as well as less costs incurred on hedging during the Reporting Period.

Share of Profit of Associates

Share of profit of associates, which mainly represents the Group's share of results of our Yunnan Qiaotong Plant, dropped significantly to HK\$5.9 million during the Reporting Period from HK\$41.5 million in the first half of 2019. The decrease was mainly due to the impacts of COVID-19 outbreak, the effect of the tender in Yunnan and the exclusion of our share of results in our Nanjing Plant during the Reporting Period after our acquisition of 52% of its equity interests in second half of 2019.

Taxation

The effective tax rate of the Group was 26% in the first half of 2020, it has risen slightly due to non-tax deductible exchange loss incurred during the Reporting Period.

Profit Attributable to Owners of the Company

Excluding the exchange difference incurred on the Group's Hong Kong dollar denominated borrowings, and on a constant currency basis, the Group's underlying profit reduced by 21.2% when compared to the first half of last year. The Group's profit attributable to owners of the Company reduced by 40.1% from HK\$187.8 million in the first half of 2019 to HK\$112.6 million during the Reporting Period. The decrease was mainly due to the impacts of COVID-19 outbreak as well as the pricing pressure derived from the tender in Yunnan.

Segmental Information

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

Financial Position

As at 30 June 2020, total assets of the Group amounted to HK\$6,579 million and its total liabilities amounted to HK\$2,552 million, representing a decrease of HK\$7 million and an increase of HK\$8 million, respectively as compared to 31 December 2019. Both total assets and total liabilities remained at similar levels during the Reporting Period.

Borrowings and Banking Facilities

As at 30 June 2020, the Group had gross interest-bearing borrowings of approximately HK\$1,549 million (2019: HK\$1,549 million), remaining the same as the end of last year.

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
On demand or within one year	<u>1,548,983</u>	<u>1,549,091</u>

As of 30 June 2020, the Group did not have any committed but undrawn banking facilities (2019: Nil).

Capital Structure

As at 30 June 2020, the Group had net assets of HK\$4,027 million comprising non-current assets of HK\$4,284 million, net current liabilities of HK\$230 million and non-current liabilities of HK\$27 million.

Gross gearing ratio, measured by total interest-bearing borrowings as a percentage of equity was 38% as at 30 June 2020, same as that as of 31 December 2019.

Charges on the Group's Assets

As at 30 June 2020, assets with carrying amount of approximately HK\$10 million (2019: HK\$7 million) were pledged to banks in respect of banking facilities granted to the Group.

Significant Investments

As at 30 June 2020, the Group had no significant investments (2019: Nil).

Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities (2019: Nil).

Capital Commitments

As at 30 June 2020, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of HK\$37 million (2019: HK\$50 million).

Working Capital

The current ratio increased slightly from 88% as at the last year end to 91% as at 30 June 2020 due to a slight increase in working capital and cash balance during the Reporting Period.

Foreign Currency Exposure

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

During the Reporting Period, the Group did not have any derivative financial instruments or hedging instruments outstanding. The management will closely monitor its currency and interest rate exposures in order to implement suitable hedging policy as and when appropriate to minimize such risks.

Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

REMUNERATION POLICIES AND EMPLOYEE INFORMATION

As at 30 June 2020, the Group had 2,727 full time employees in Hong Kong and the PRC. Total staff costs (including Directors' emoluments) amounted to HK\$136 million (2019: HK\$126 million) for the Reporting Period. The Group's remuneration policies are consistent with the ones disclosed in the annual report of the Company for 2019.

PROSPECTS

While COVID-19 has been a challenge for the whole world, China is faring much better currently in terms of recovery. All of our production facilities have resumed operations and the disruptions to the supply of certain products were also largely resolved in the second quarter of the year. With a lack of substitutes for cigarettes and the strategic importance of tax revenue that tobacco brings to the PRC, the long-term outlook of Chinese tobacco sector remains positive.

While the 2019 tender in Yunnan may be disruptive to the Group in the near term, we believe stamping out corruption would have a major positive impact for the industry and the Group over time as new businesses are to be won on merits. With its long-term track record in providing high-quality cigarette packages capable of being run on high-speed machines and having maintained high corporate governance standards, the Group is well placed to maintain a strong presence in the turbulent market.

In response to the pricing outcome of the recent Yunnan tender process, the Group will continue to implement a mitigation plan to address the expected near-term impact of lower prices. These measures include reducing raw material costs, increase automation, and work with customers in using more cost-efficient materials and designs. It is hopeful that the impact of the measures will be fully reflected in the second half when those are fully ramped up.

In addition, following the relocations of our Beijing and Dongguan Plants at the end of 2019, management have been focusing on ramping up their production in the Reporting Period after the resumption of operations. It is also hopeful that the benefits of full production of those two plants will filter through in the second half of 2020.

Despite the abovementioned challenges, the cash flow from operations of the Group remains stable and healthy, which amounted to HK\$161.3 million for the Reporting Period. In addition, the Group has extended its bank borrowings for a term of another three years on 12 August 2020. In view of the satisfactory financial position and cash flow of the Group, the Board recommended an interim dividend of HK6 cents per share.

Once again, the Company would like to take this opportunity to thank its shareholders and stakeholders for their unfailing support to the management in this challenging environment.

EQUITY FUND RAISING

There was no equity fund raising activity by the Company during the Reporting Period, nor were there any unutilised proceeds brought forward from any issue of equity securities made in previous financial years.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK6 cents per share (2019: HK8.1 cents per share and special dividend of HK4 cents per share) for the Reporting Period to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 4 December 2020. The interim dividend will be paid on or about 11 December 2020.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 2 December 2020 to Friday, 4 December 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the Reporting Period, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 1 December 2020.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company continues to be committed to achieving high standards of corporate conduct and to place importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and protection of shareholders' interests.

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

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises the three independent non-executive Directors, namely, Mr. Au Yeung Tin Wah, Ellis (Chairman of the Audit Committee), Mr. Oh Choon Gan, Eric and Mr. Ching Yu Lung. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with senior management relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the Reporting Period. There is no disagreement raised by the Audit Committee on the accounting treatment adopted by the Company. The interim results for the Reporting Period are unaudited but certain agreed-upon procedures have been performed by the auditor of the Company in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) at the request of the Audit Committee. The agreed-upon procedures performed by the auditor did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and the auditor does not express any assurance on the interim results of the Company. The findings on the aforementioned “agreed-upon procedures” has been taken into consideration by the Audit Committee in its review of the interim results of the Reporting Period, which have been approved by the Board on 28 August 2020 prior to its issuance.

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

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprised Mr. Chan Chew Keak, Billy as non-executive Chairman, Mr. Ge Su and Mr. Liu Shun Fai as executive Directors, Mr. Jerzy Czubak and Mr. Michael Casamento as non-executive Directors, and Mr. Au Yeung Tin Wah, Ellis, Mr. Oh Choon Gan, Eric and Mr. Ching Yu Lung as independent non-executive Directors.