鴻興印刷集團有限公司
Hung Hing Printing Group Limited
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PRESS RELEASE

Hung Hing Reports Continued Revenue Growth

- Revenue was HK$2,854 million, an increase of 3% over the previous year
- Profit attributable to owners of the Company declined by 84% to HK$26 million
- Basic earnings per share were HK2.8 cents, compared to HK17.3 cents for the previous year
- Balance sheet remains strong with a net cash position of HK$251 million
- Board of Directors has proposed a final dividend of HK2 cents; total dividend for the year is HK4 cents

Hong Kong, 26 June 2012 – Hung Hing Printing Group Limited (HKSE: 450) today announced its annual results for the year ended 31 March 2012. Reflecting slow growth in major markets, the Group recorded a 3% increase in revenue to HK$2,854 million.

Primarily as a result of a one-time gain booked in the previous year, the introduction of a general ageing provision to cover the Group's paper stock, and the continued rise of production costs in China, the Group experienced an 84% decline in profit attributable to shareholders, which stood at HK$26 million. Basic earnings per share were HK2.8 cents, compared to HK17.3 cents in the previous year. The Board of Directors has proposed a final dividend of HK2 cents. This, together with the interim dividend of HK2 cents, brings the total dividend for the year to HK4 cents versus HK27 cents in the previous financial year.

Mr. Matthew C.M. Yum, Executive Chairman of Hung Hing Printing Group Limited, said, "To address these challenges and remain competitive for the future, we are pursuing a three-fold strategy of evolution, efficiency and ethics." He also noted, "The Group has a strong cash position, which together with the commitment from our strategic partner Rengo's of Japan, will allow us to withstand the macroeconomic conditions, explore and invest in opportunities for growth, and maintain market leadership."

e-Bookstore Application Launched

Partnering with our publishing clients, the Group has launched a new service branded BelugaBloo, a proprietary e-bookstore in the form of an application that runs on popular tablets and smart-phones. BelugaBloo offers end-users a catalogue of inter-active e-books, games and education applications to purchase and download. Since its launch early this year BelugaBloo has generated substantial interest and the Group has entered into co-operative agreements with several prominent publishers and a manufacturer of child-friendly tablets.

Business Unit Review

The Group's business units reported mixed results with two posting increases in revenue, while two showed declines.

Book and Packaging Printing, the largest business unit, did well to grow revenue in a static market, but saw lower profit margins due to rising costs and stiff competition. The business unit recorded revenues of HK$1,513 million, up 4% from HK$1,452 million the previous year. Profit contribution was HK$13 million, down 85% from HK$91 million last year. Management pursued several strategies to boost profits, including expanding the unit's presence in luxury packaging, particularly for cosmetics. Cost controls as well as productivity improvements and pricing reviews have also been implemented, in particular for labour-intensive children's novelty books.

The **Consumer Product Packaging** business reported an increase in revenues of 9% to HK$767 million, up from HK$706 million the previous year. This led to a profit contribution of HK$18 million compared to a loss of HK$1 million the year before. The business unit made steady progress towards its strategic aim of becoming a leading packaging solutions provider in the China domestic packaged food and personal care markets.

The **Corrugated Box** business is heavily focused on Hong Kong based exporters, who make up 60% of sales with the remaining 40% made to customers in China. Revenue was down 9% to HK$264 million from the HK$290 million recorded the previous year. The economic slowdown and rising costs both played a part in profit contribution falling 34% to HK$30 million, down from HK$46 million last year.

The **Paper Trading** business plays a strategic role as part of the Group's supply chain and is one of the largest paper trading operators in Asia outside Japan. Even so, reduced export activity in southern China and a softening trend in paper prices have impacted business. As a result its revenue decreased 2% from HK$316 million last year to HK$310 million. Intense price competition meant that profit contribution fell to HK$21 million, down 62% from HK$56 million last year.

Financial and Capital Resources

The Group remained in a sound financial position at year end. As of March 31 2012, the Group had a net cash balance of HK$251 million. Capital expenditure reached HK$141 million during the financial year. This was mostly used to replace and upgrade production equipment, including the purchase of four printing presses.

Strategic Partner

On 3 August 2011, Rengo of Japan became a 29.9% shareholder of the Group. Rengo is a leader in the general packaging industry in Japan, and has been a business partner of the Group for over two decades. It has substantial presence in Asia (outside Japan), with paperboard manufacturing, corrugated box and flexible packaging plants. While both groups have substantial investments in China, overlap and competition is minimal. The management is considering a number of co-operative opportunities of mutual benefit both in the export and in the China domestic market.

Outlook

The Group is cautiously optimistic about its business in the coming year. There has been an increased intake of orders from the U.S. and UK driving up capacity utilization at the Group's Shenzhen and Heshan facilities. Growth in production cost and the rate of inflation appear to be slowing in China. These factors, with a stabilizing Renminbi have to some extent relieved the cost pressure faced by the Group.

Mr Yum said, "In response to competitive pressures and in the face of a rising cost base, we expect increasing consolidation in the export printing industry. The trend is for customers to prefer stable, more cost-efficient vendors with a reputation for quality and delivery, and this will benefit Hung Hing. We are also carefully monitoring the trend of digital printing and e-publishing and will act in order to stay competitive, and to pursue new business opportunities arising from the technological evolution. "

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About Hung Hing Printing Group Limited

Hung Hing was founded by the Company's former Honorary Chairman Mr Yam Cheong Hung in 1950. Over the past six decades, the Company has developed into one of the largest printers in Asia, with significant operations in book and packaging printing, consumer product packaging, corrugated box manufacturing and paper trading. Headquartered in Hong Kong, the Company has four plants in China: three in the Guangdong province (Shenzhen, Zhongshan and Heshan) and one in Wuxi, near Shanghai. With its main focus on customers' success, the Company harnesses the latest in technology and ideas to create print solutions through sustainable operating practice, and services multinational corporations from the US and Europe as well as from domestic companies in China. The Company has a workforce of over 12,000 employees. It has been listed on The Hong Kong Stock Exchange since 1992.

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