



鴻興印刷集團有限公司

# Hung Hing Printing Group Limited

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## PRESS RELEASE

### Hung Hing Announces 2014 Full-year Results

*Revenue remains largely steady; profit falls due to currency exchange and fair value losses*

	<u>2014</u> HK\$ million	<u>2013</u> HK\$ million
• Group revenue declined 0.8%	2,989	3,013
• Operating profit declined 63%	41	112
• Profit before income tax declined 70%	32	105
• Profit attributable to shareholders declined 90%	8	77
• Net cash remains strong, up 19%	563	471
• Earnings per share	HK0.9 cents	HK8.5 cents
• Proposed final dividend	HK2 cents	HK5.3 cents
• Total dividend for the year	HK3 cents	HK7 cents

**Hong Kong, 26 March 2015** – Hung Hing Printing Group Limited (HKSE: 450) today announced its full-year results for the financial year ended 31 December 2014. Despite a difficult market environment characterised by soft export and domestic activity through most of 2014, the Group has been able to maintain stable revenues at HK\$2,989 million, which represent a slight decline of 0.8% compared to 2013.

Profit for the year fell by 89% to HK\$9 million, largely due to exchange losses from the translation of renminbi assets and fair value losses from forward contracts to hedge against currency fluctuations. Out of the total of HK\$33 million losses in 2014 (vs HK\$24 million gains in 2013), over HK\$23 million are unrealised losses that do not have any cash flow impact on the Group.

The Group's gross margin in the first half of 2014 (11.6%) was affected by extreme weather in North America and soft demand in China, but gross margin improved substantially to 15.0% in the second half, reflecting significant improvement in capacity utilisation and labour productivity, which was facilitated through effective automation initiatives and streamlining of process flows. Full-year gross margin was 13.4%, representing a slight drop of 0.8% compared to 2013.

The year 2014 was also characterised by a shift in Hung Hing's sales mix as its Paper Trading business grew significantly, which helped offset the sales decline of the Group's other core businesses - book and packaging printing, consumer product packaging and corrugated box manufacturing.

Hung Hing maintained a strong balance sheet with net cash on hand of HK\$563 million as at 31 December 2014. With a robust liquidity position, the Group was able to attain higher returns from short-term deposits, generating HK\$7 million more in income from interest than in 2013.

In 2014, profit from the Group's operating activities decreased by 63% to HK\$41 million. Basic earnings per share during the year was HK0.9 cents, compared to HK8.5 cents the previous year. The Board of Directors has proposed a final dividend of HK2 cents. Together with the interim dividend of HK1 cent, the total dividend for the year amounts to HK3 cents, compared to HK7 cents in 2013.

Matthew C.M. Yum, Executive Chairman of Hung Hing Printing Group Limited, said, "Despite the challenging market situation, we continue to build strength and capability, while striving towards strong medium- to long-term growth as a diversified, value-added printer of choice to our business partners. We engaged in strategic partnerships with leading companies from diverse industries to gain access to an even wider range of new ideas, technologies and business development opportunities. We also continue to invest in automation, new processes and employee training to make our operations more market-oriented and cost-efficient."

### **Business Unit Review**

**Book and Package Printing**, Hung Hing's largest business unit, reported revenue of HK\$1,672 million and profit contribution of HK\$42 million, down 3% and 22% respectively, versus the previous year. This was largely due to the impact of extreme cold weather in North America that led to delays in customer activities in the first half. The Group was able to recover quickly in the second half and offset rising labour costs by realigning its workforce, making efficiency enhancements and implementing various cost-control measures.

The **Consumer Product Packaging** business unit generated revenue of HK\$728 million and profit contribution of HK\$7 million, down 7% and 46% respectively, compared to 2013. Consumer sentiment in the domestic market of mainland China remained sluggish, primarily because of the Chinese government's austerity and other reform measures, leading many customers to continue to take a very cautious approach towards order placement.

The **Corrugated Box** business unit was also affected by the slowdown in exports and domestic demand, delivering external revenues of HK\$198 million, down 13% from 2013, and profit contribution of HK\$5 million, a 60% decline.

**Paper Trading** expanded its direct export channels into Southeast Asia and enhanced value-added business relationships with existing customers to deliver strong results in 2014. This included revenue of HK\$392 million (up 44% year-on-year) and profit contribution of HK\$14 million (up 85% year-on-year). The unit's working capital also improved versus 2013.

### **Outlook**

According to Mr Yum, Hung Hing is cautious about the macroeconomic environment in the short term. However, the Group believes its enhanced innovation and capabilities, ongoing investments in automation and training, and financial health will place it in a very competitive position relative to a continuously consolidating industry. Hung Hing will place even more emphasis on developing the domestic Chinese market, which presents considerable medium- to long-term potential.

Mr Yum concluded, "The market remains weak in the early stages of 2015, but we are optimistic about the future of the industry. We are also excited about Hung Hing's prospects – particularly our development into a company that goes beyond the role of a traditional OEM to offer our customers enhanced capabilities all along the value chain. This will include exploring more partnerships with industry-leading companies, and leveraging synergies between our own business units to promote sustainable growth."

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**About Hung Hing Printing Group Limited (HKSE: 450)**

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 package 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 U.S. and Europe as well as from domestic companies in China. The Company has a workforce of approximately 10,000 employees. It has been listed on The Hong Kong Stock Exchange since 1992.

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