



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



July 2010
Corporate Presentation



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The Leading Printer in Asia ...

... in book and package printing

- **One of the world's largest manufacturer of children's books and novelty items**
- **4 manufacturing sites in mainland China and 1 plant in Hong Kong. Leading printer in China with the largest capacity and most diverse capability.**
- **Blue chip clients in China, and around the globe**
- **HK\$ 2.4 billion (US\$ 310 m.) revenue in FY 2009/10.**



Hung Hing Core Values

We strive to be the best in all we do.
To our customers, we

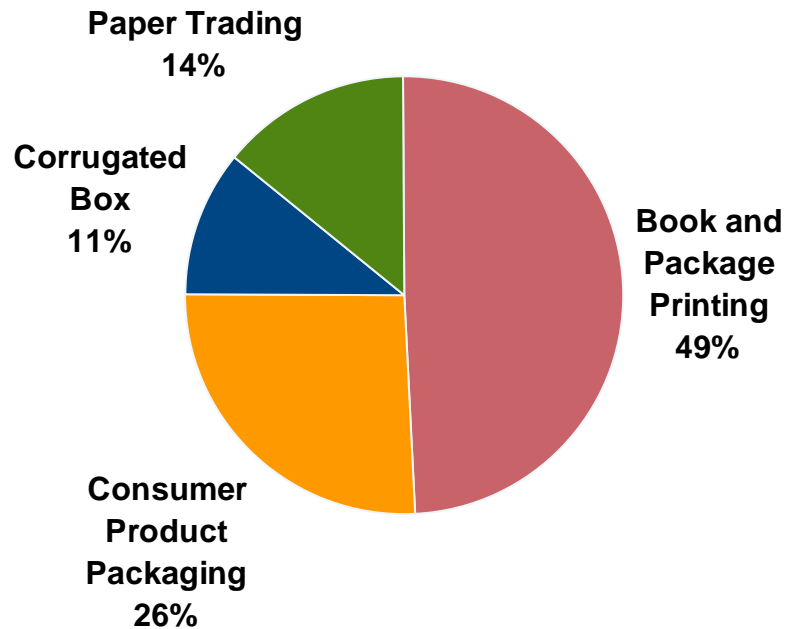
- provide high quality and innovative printing solutions.
- focus on value-added services.
- offer the best value for money.
- value long term business relationship and the opportunity to serve and grow with them.





A Well-Balanced Portfolio

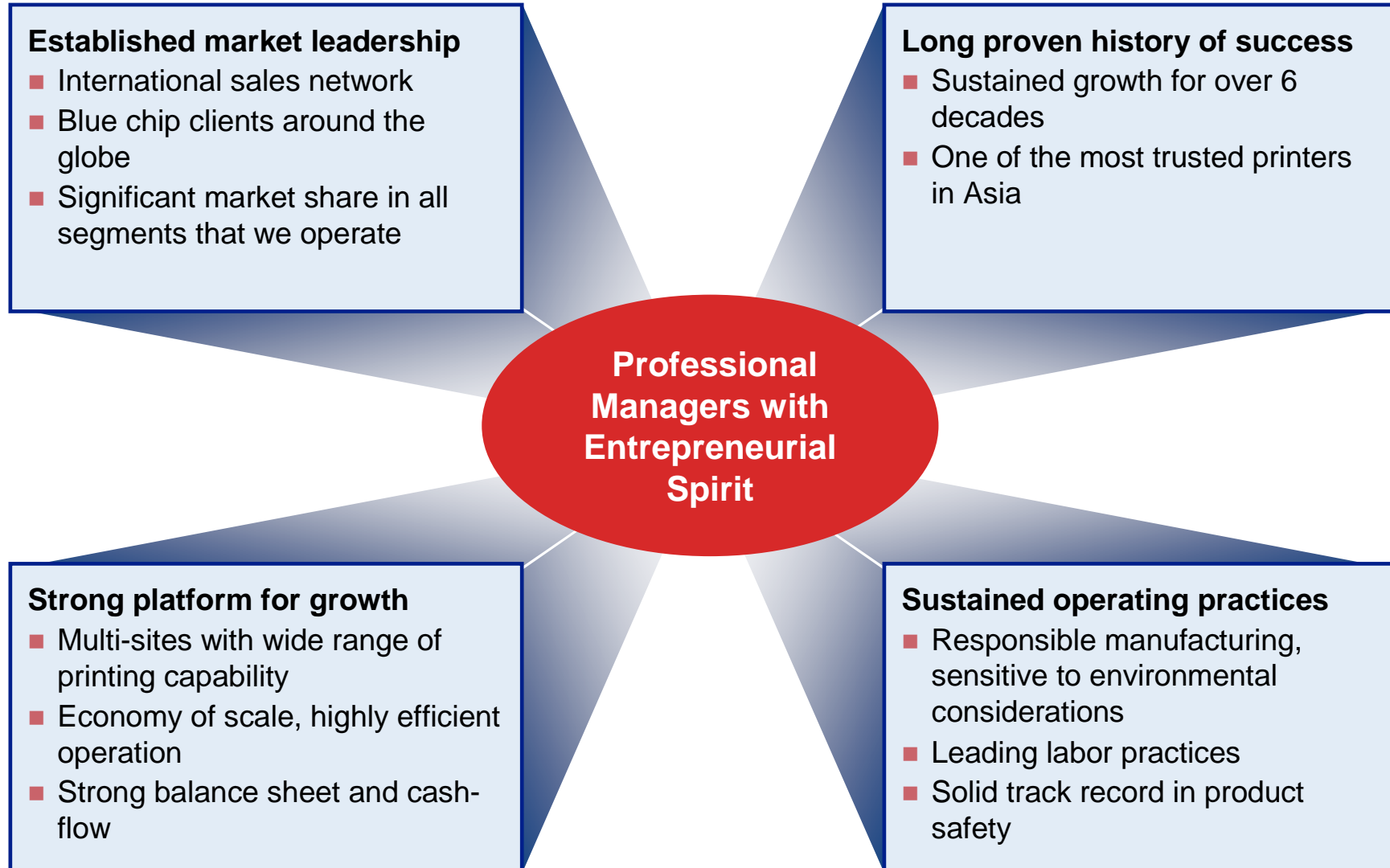
Revenue by business unit
Fiscal Year Ended March 31, 2010



- The export focused **Book and Package Printing** is expected to resume growth in FY10/11 upon the recovery of the world economy
- Strategically located in Zhongshan and Wuxi, the **Consumer Product Packaging** is well positioned to capture the growth opportunity in the Guangdong Province and in the Greater China Region
- **Corrugated Box** complimented and enjoyed market synergy with our Packaging business
- **Paper Trading** is an integral part of our supply chain while making good return on investment

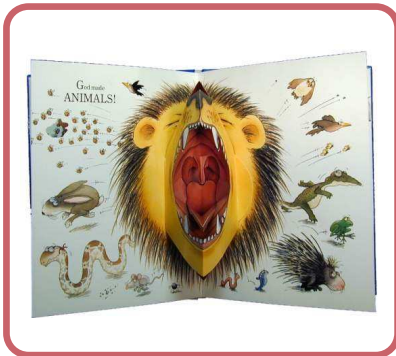


Our Competitive Advantages



Our Core Businesses

**Book & Package
Printing**



**Consumer Product
Packaging**

Corrugated Box



Paper Trading

Book & Package Printing, A Global Business

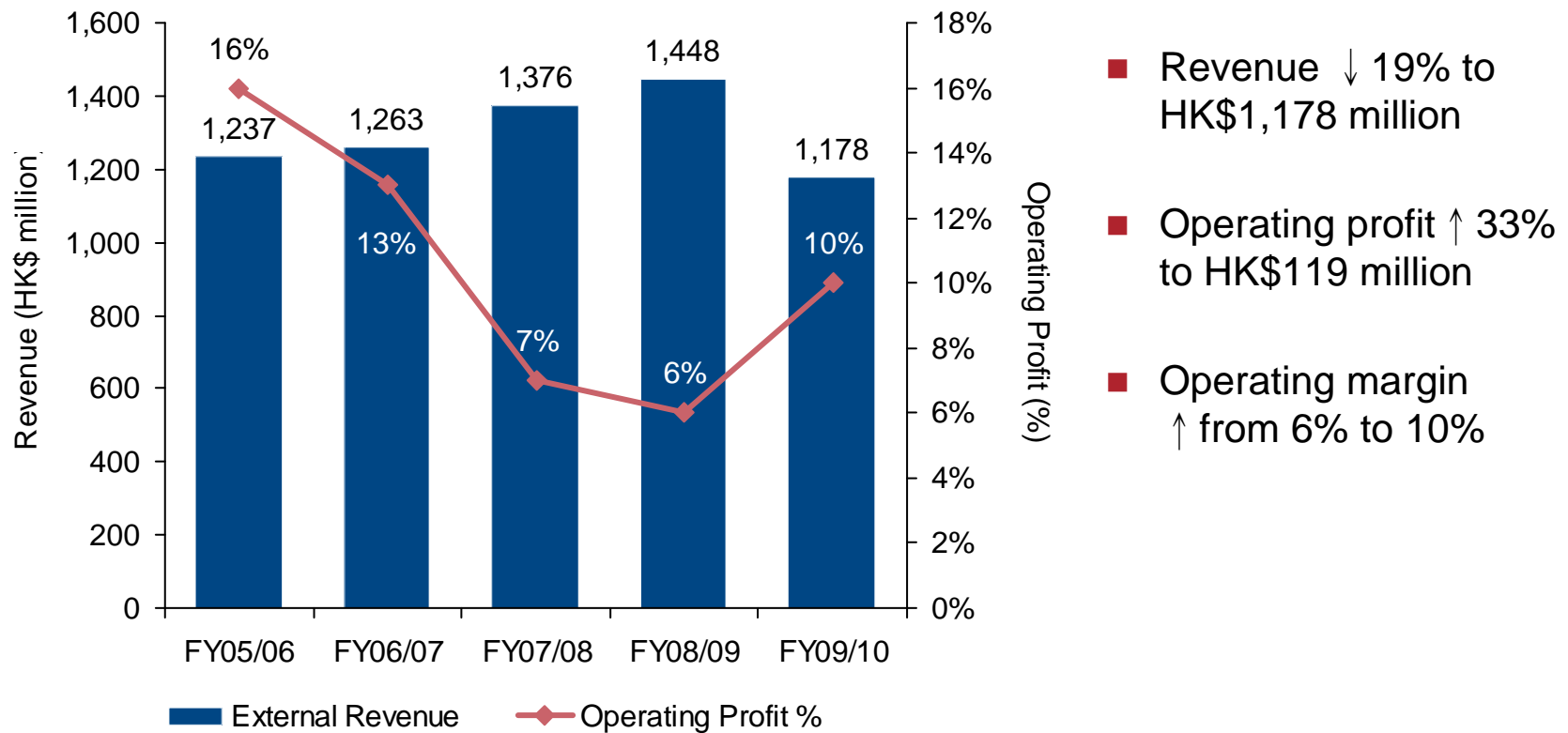
- Three plants located in Shenzhen, Heshan and Hong Kong. Serving global customers and manufacturers located in Hong Kong and Pearl River Delta (PRD)
- Our customers include international publishers (e.g., D.K., Five Mile, Hinkler..) and branded customers (e.g., Mattel, Hasbro, Disney Publishing...).
- Leading producers of folding cartons and packaging for toys, electronics and other consumer products. One of the world's largest manufacturers of children's books and novelty items
- Offering top-tier value-added services in design and paper engineering





Book and Package Printing – Soft customer demand around the globe impacts revenue

Book and Package Printing – Revenue & Operating Profit %



Consumer Product Packaging, Capturing growth in the China domestic market

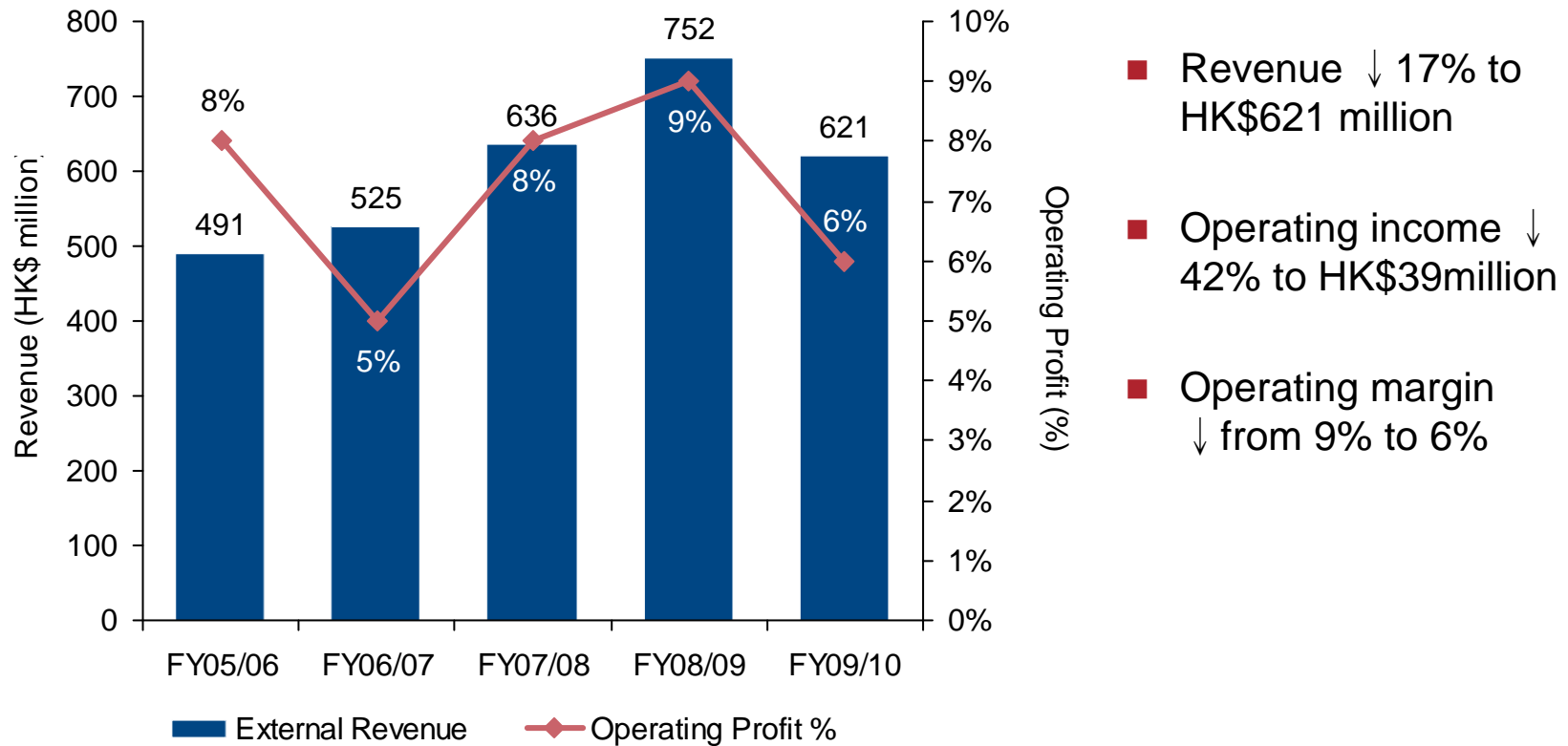
- Provide high-quality packaging solutions for customers through Zhongshan and Wuxi plants
- Strong clientele in the personal care, packaged food and consumer electronics sectors, including Colgate, Mead Johnson, Want Want, Haitian, Canon....





Consumer Product Packaging – intensified competition and lower selling price reduced revenue

Consumer Product Packaging – Revenue & Operating Profit %





Corrugated Box, good synergy with Package Printing

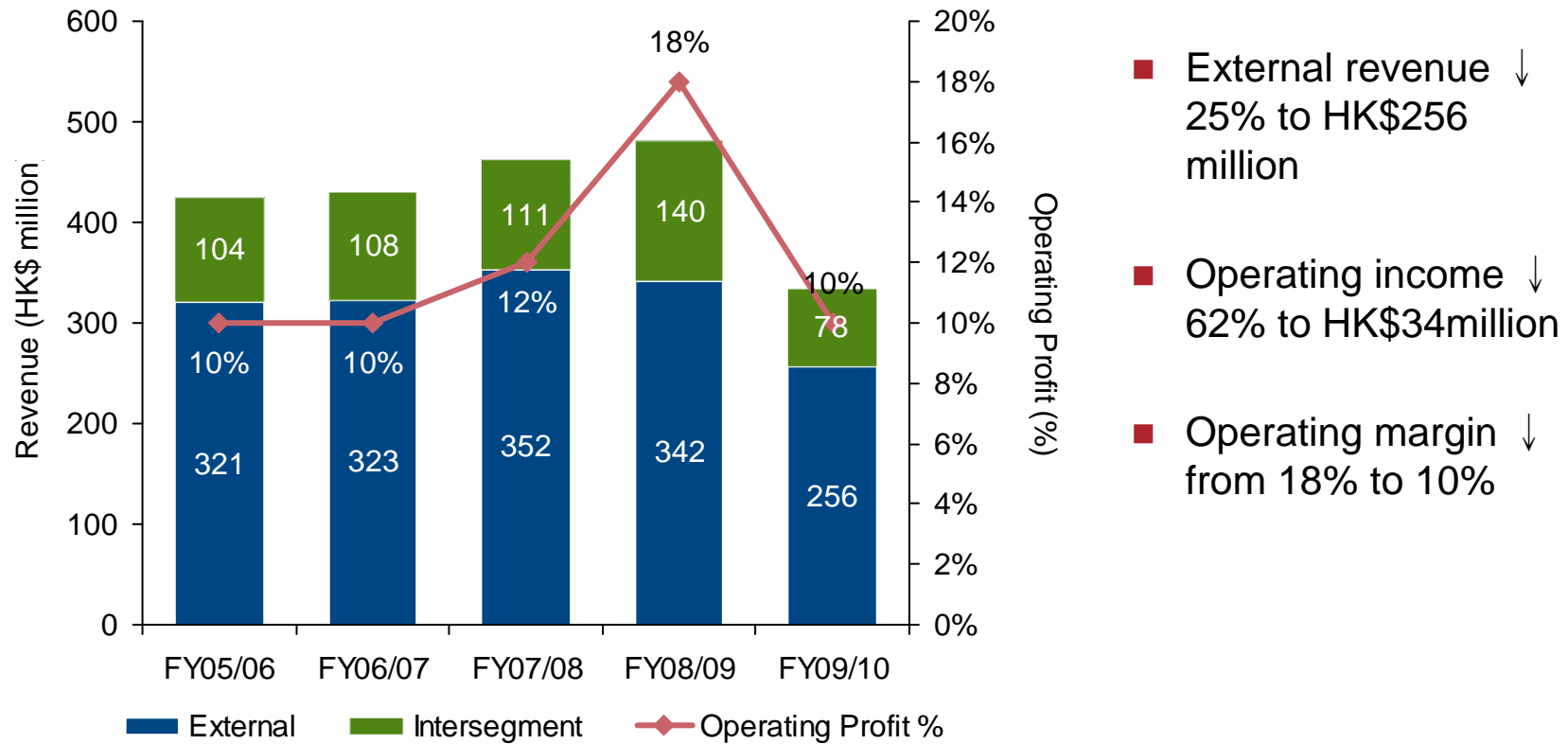
- Leading corrugated box supplier in the PRD. Our customers include Lenovo, Brother, Garden, LKK
- Derive two-thirds of sales from HK-based exporters and one-third from customers in China
- Manufacturing facility in Shenzhen and distribution center in Hong Kong





Corrugated Box – Reduced level of manufacturing activities in the PRC impacted revenue

Corrugated Box – Revenue & Operating Profit %



Paper Trading, Buffers paper trend impact

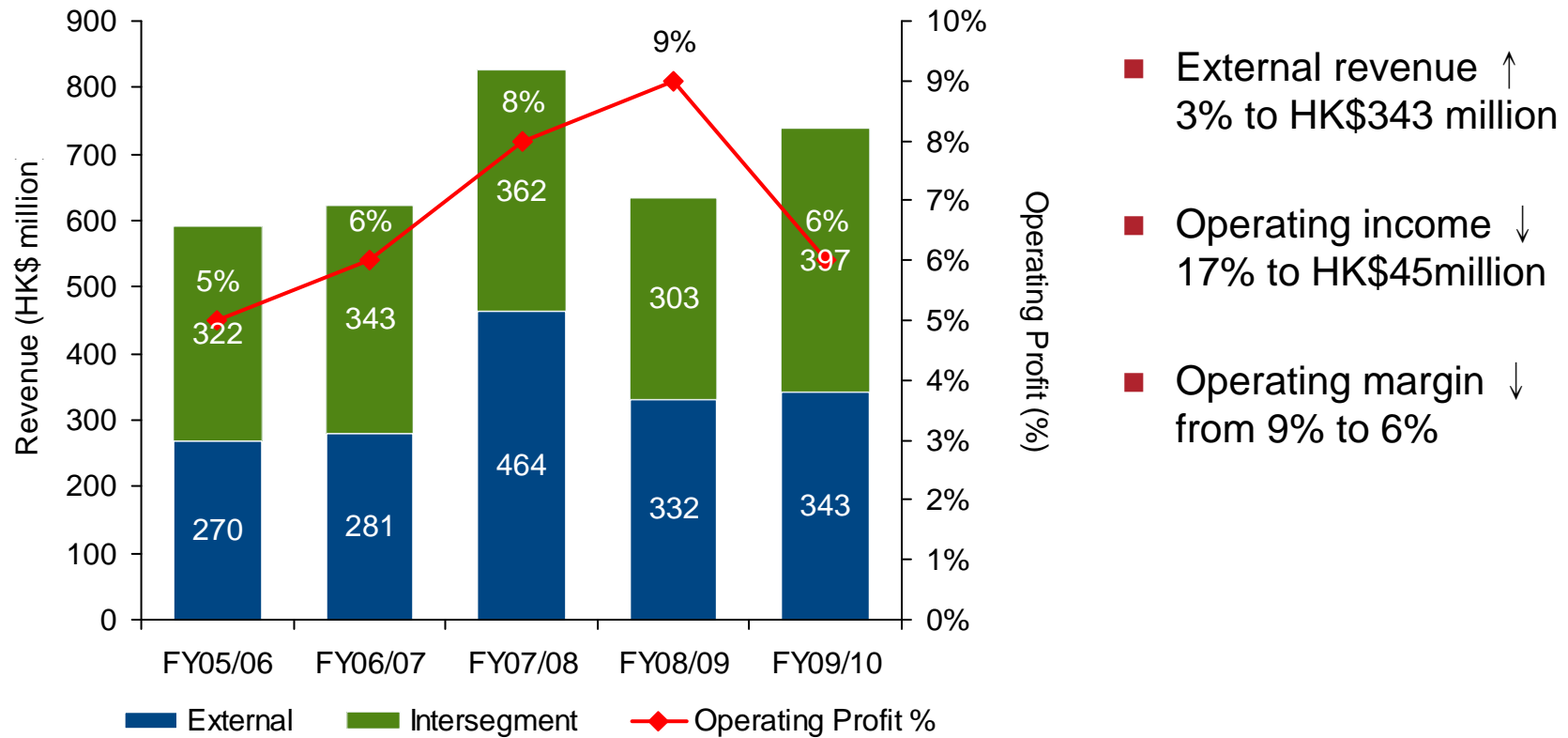


- Well-managed warehouse facility in Shenzhen with a storage capacity of over 60,000 tons of paper
- Customer base includes leading printers and manufacturers in China
- An integral part of the Group's supply chain, providing good visibility of paper price and stable supply of paper at very competitive cost to the Group's printing and packaging business units



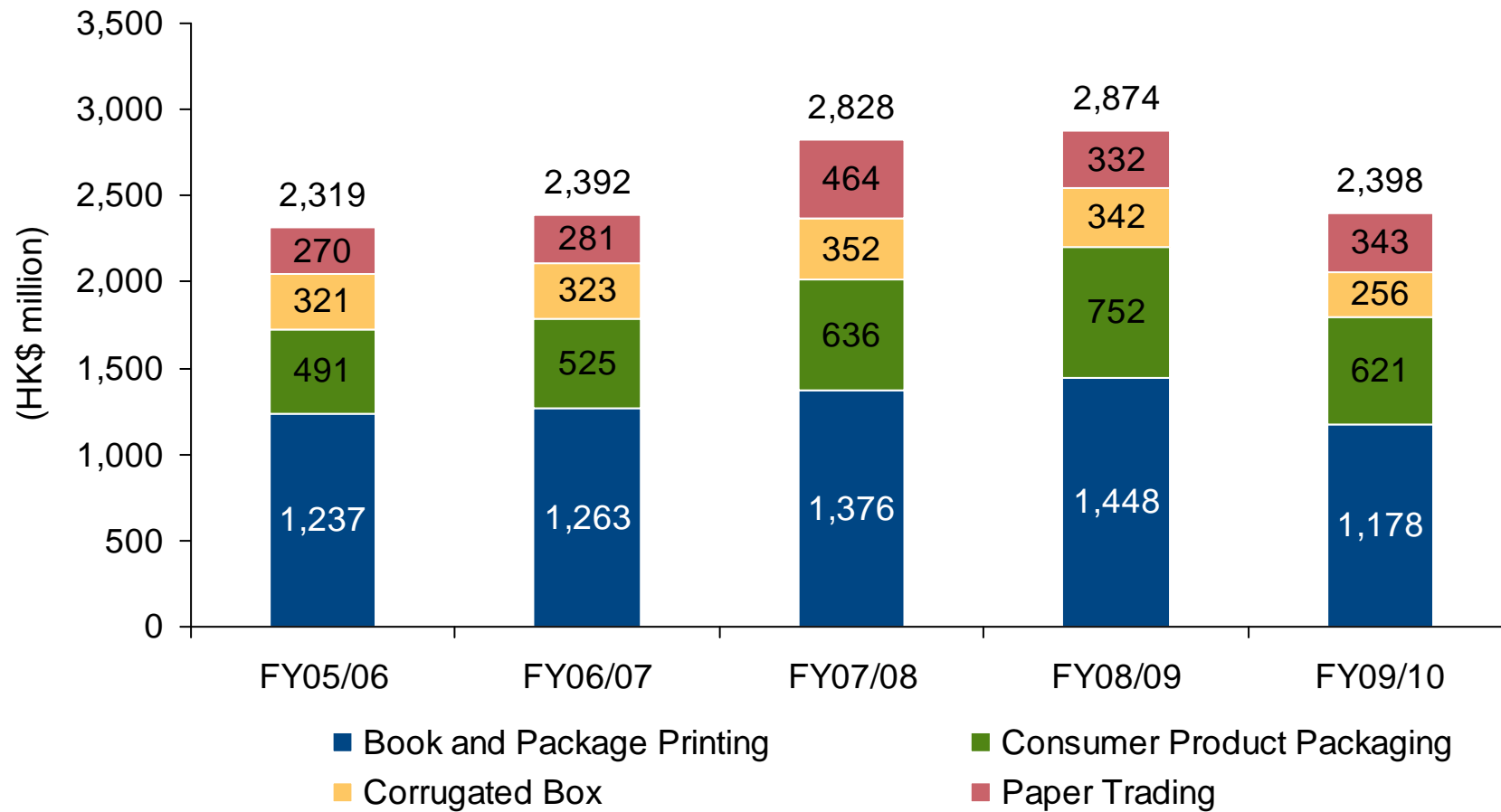
Paper Trading – Effective buying & sales strategy boosts sales during a period of uncertainty

Paper Trading – Revenue & Operating Profit %





Revenue Impacted Across our Different BUs

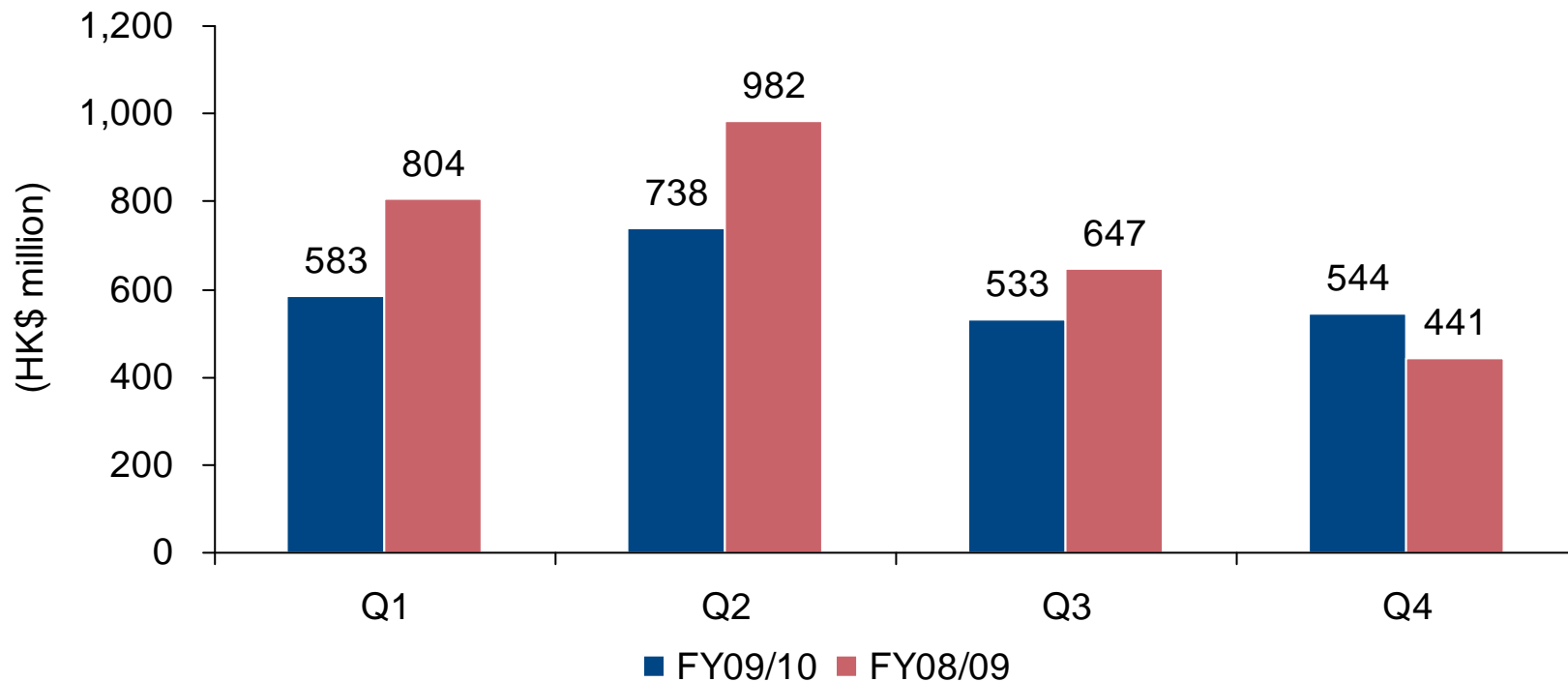




Q4 Revenue Reflects a Rebound

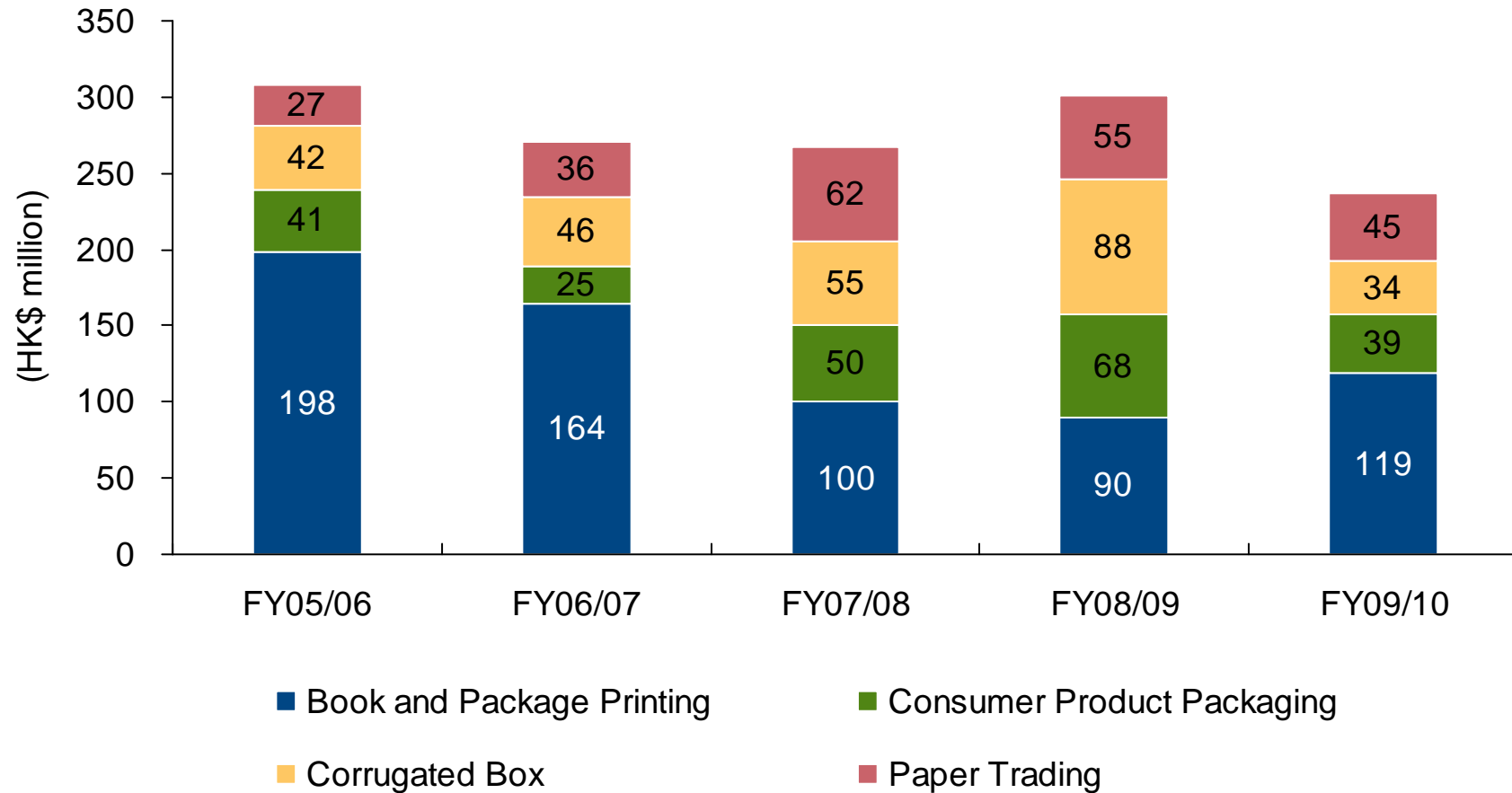
- FY09/10 Revenue ↓ 17% vs the previous year
- Q4 FY09/10 shows a clear rebound, ↑ 23% vs Q4 FY08/09. The growth momentum continues this year....

Quarterly Revenue





Operating Profit By Business Unit





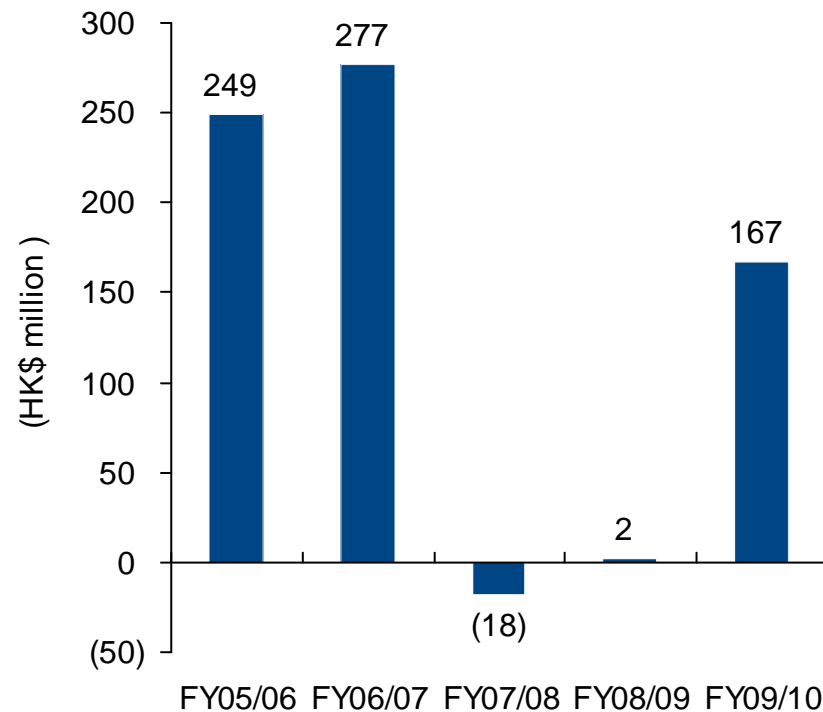
Financial Review



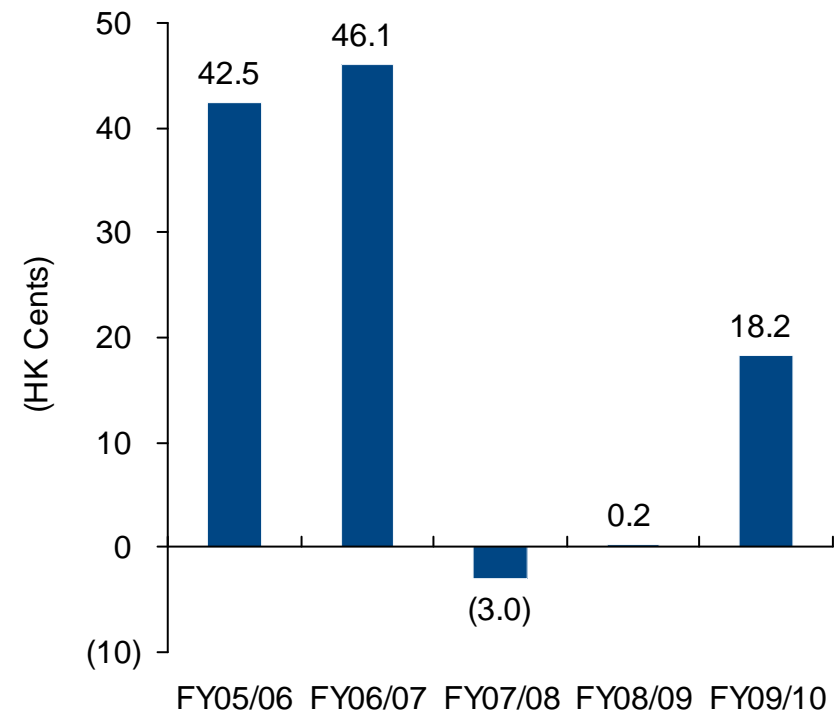


Profit Attributable To Equity Holders & Earnings Per Share

**Profit attributable to equity holders
was HK\$167 million**



**Basic Earnings per share was
HK18.2 cents**





Financial Highlights – Core & De-consolidated Operations

(HK\$ Million)	FY09/10	FY08/09	Changes
Revenue	2,398	2,874	-17%
Profit for the year			
Continuing operations	166	305	
Discontinued operations	19	-470	
	<u>185</u>	<u>-165</u>	
Profit attributable to equity holders of the parent	167	2	
Basic earnings per share (HK cents)	18.2	0.2	
Full year dividend per share (HK cents)	23	14	64%

- Revenue declines by 17 %
- Significant turnaround in Profit with the improvement and de-consolidation of the Paper Manufacturing business



Financial Highlights – De-consolidated Operation (Paper Manufacturing)

(HK\$ Million)	FY09/10	FY08/09
Profit/(Loss) for the year	19	-470
After crediting/(charging):		
- Impairment provisions	-	-288
- Loss from fire	-	-30
- Fire insurance claim	18	-
- Gain on disposal of Paper mill	18	-

- The Group's equity stake in the PM was sold down to 31 % in Feb. 2010. Accordingly, its financial performance for the 11 months ended Feb 2010 was reported separately under De-consolidated Operation.
- Going forward, PM will be accounted for as an Associated Company, and its financial impact to the Group will not be significant



Financial Highlights – Core Operations (all except Paper Manufacturing)

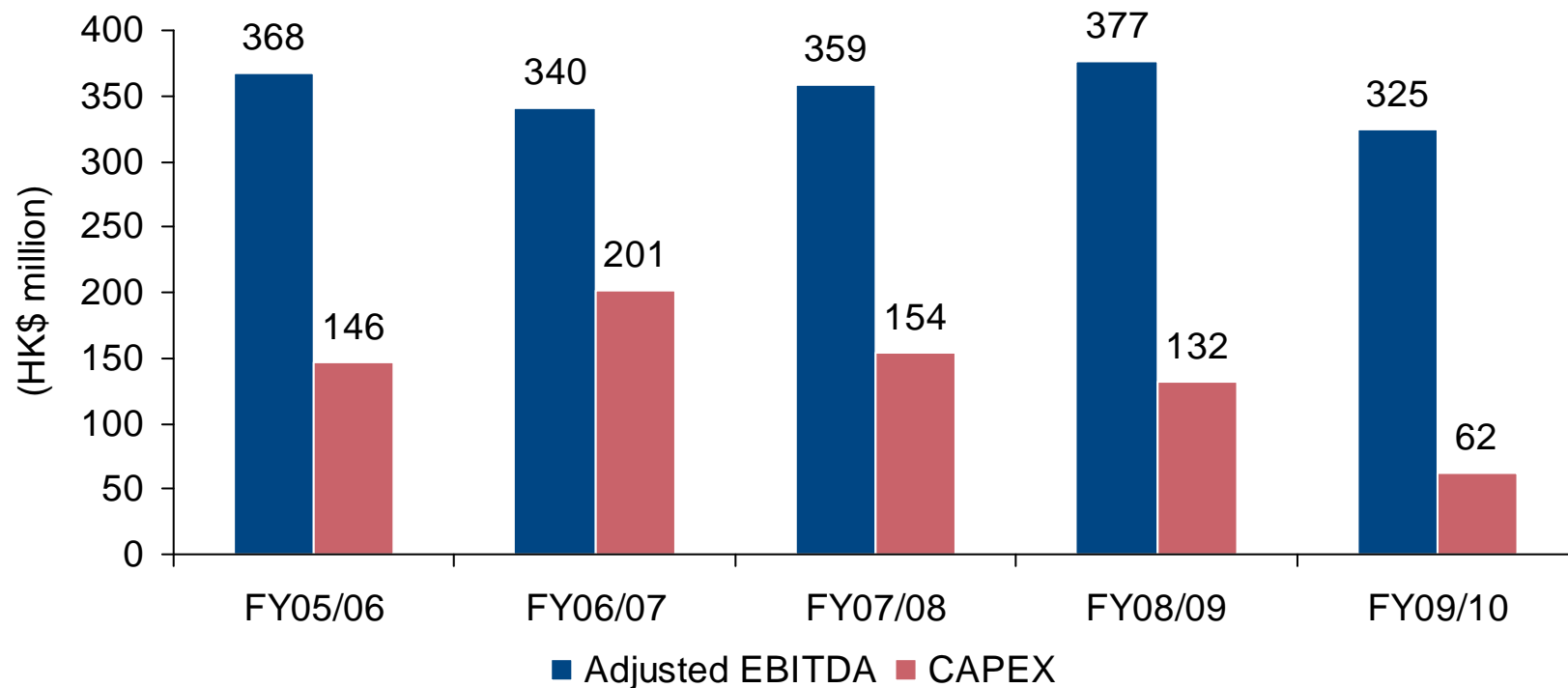
(HK\$ Million)	FY09/10	FY08/09	Changes
Revenue	2,398	2,874	-17%
Gross profit	504	610	-17%
Gross profit %	21%	21%	
Operating profit	204	280	-27%
Fair value gain on financial derivatives	-	91	
Finance costs	(11)	(39)	-70%
Share of loss of associates	(3)	(1)	
Profit before income tax	190	331	-43%
Income tax expense	(25)	(26)	-4%
Profit for the year	165	305	-46%

- Operating Profit declined by 27 %
- Previous year profit was boosted by a Fair Value Gain on financial derivative of HK\$ 91 m
- Without this non-recurring item, Profit for the year would have declined by 23 %



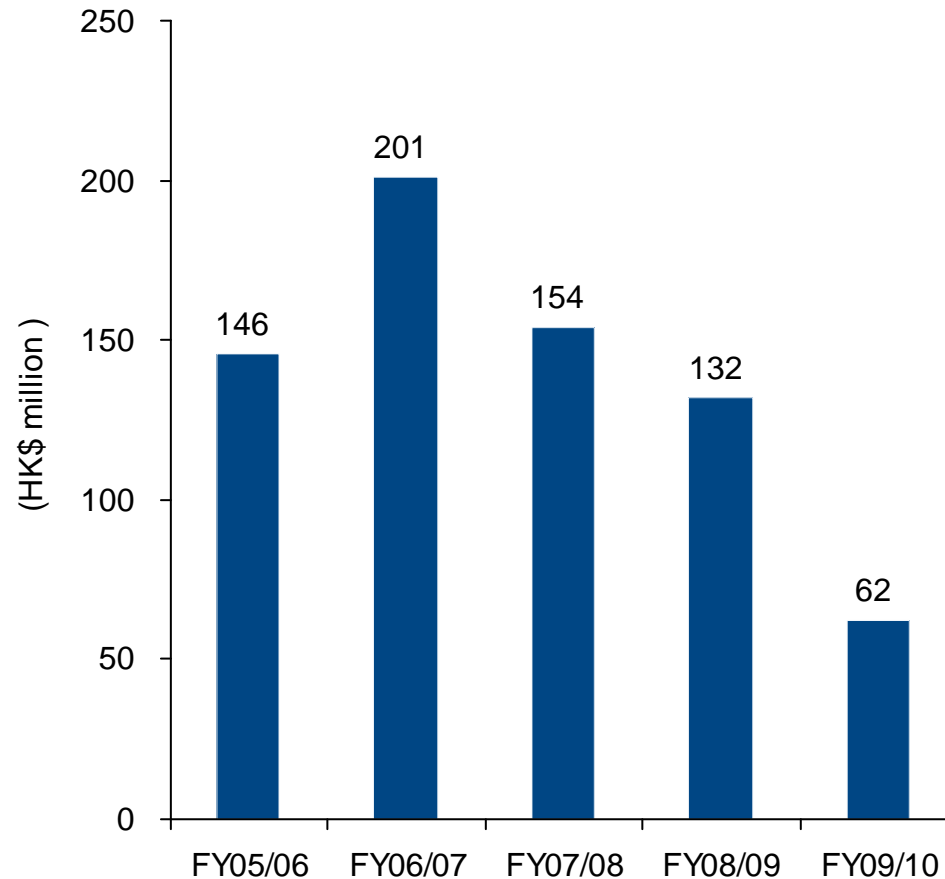
Solid Cash-flow, even in the year of economic volatility

Adjusted EBITDA and CAPEX



- EBITDA has excluded Paper mill, fair value changes on derivatives and cost for early redemption of convertible bonds

Capex Scaled Back In Light Of Market Uncertainty



- With the economic recovery, four new state-of-the-art printing presses costing HK\$80 million are scheduled to arrive Q1 FY2010/2011



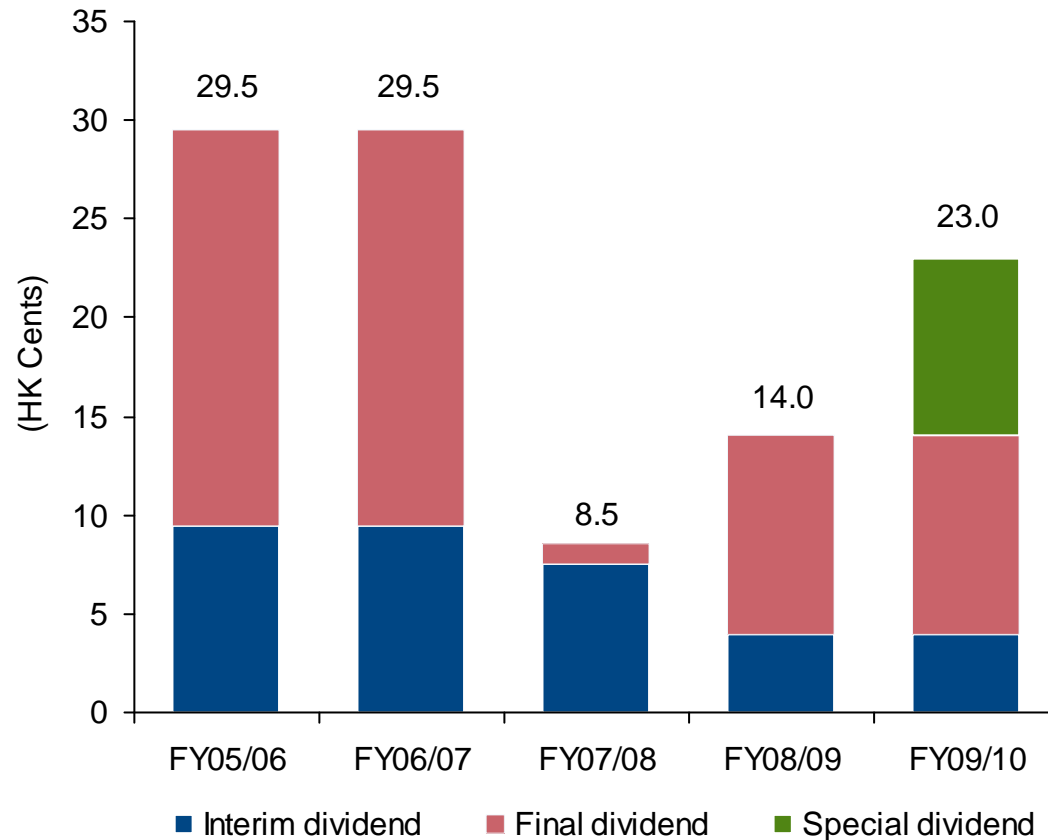
High Cash Level Supports Growth And Dividend Pay-out

(HK\$ Million)	2010	2009	Changes
Cash			
Cash and bank balances	620	292	
Time deposits	489	1,134	
	<u>1,109</u>	<u>1,426</u>	-22%
Bank borrowings			
Short-term bank loan	239	337	
Long-term bank loan	186	336	
	<u>425</u>	<u>673</u>	-37%
Cash net of debts	<u>684</u>	<u>753</u>	-9%

- Net cash decreased by \$69 million due to dividend payment \$129 million, shares buy-back \$ 27 m., partial payment of \$ 27 m. acquiring additional 15 % stake in Zhongshan Packaging and Capex \$ 62 m.



Proposed Dividends



■ To celebrate our 60th anniversary, the Board has proposed a special dividend of 9 cents, in addition to the final dividend of 10 cents, bring total dividend to 23 cents for the year.

■ (Interim dividend: 4 cents)



Looking Forward...



Market Outlook

Opportunities

- Global market is recovering and we are seeing rising order intake
- China market offers strong potential
- Industry consolidation present good opportunity for the Group to expand market share

Challenges

- Instability in European financial markets
- Appreciating Renminbi
- Rise of raw material and operating costs, and wages



2010/11 Focus On...

Operational Efficiency

- Improve materials and logistics management
- Accelerate automation to offset the rising labor costs
- Refine our IT strategy aiming to establish a first class Order to Shipment process across all HH sites

China consumer product packaging market\

- A leading player in this highly segmented market
- Actively develop new accounts. HH is well positioned to serve national accounts, MNC and locals.
- Actively looking for acquisition target to fast track growth. Become a clear leader in our chosen segments

Continue to expand our global market share

- To ride on the 'consolidation' trend in our well established markets, U.S. and Western Europe. Be the preferred vendor among the international publishers
- To enhance our agent network in Eastern Europe and other emerging markets



Hung Hing – The Leading Printer in Asia

With unrivalled market leadership, well-balanced portfolio and sustained growth for over six decades, Hung Hing is in an excellent position to take advantage of growing opportunities as the economic recovery continues to build momentum.



Q&A