



鴻興印刷集團有限公司

# Hung Hing Printing Group Limited

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## PRESS RELEASE

### **Hung Hing Reports Steady Volume and Revenue Growth**

- Revenue was HK\$2,765 million, an increase of 15% over the previous year
- Profit attributable to the Group shareholders declined by 6% to HK\$156 million
- Basic earnings per share were HK17.3 cents, compared to HK18.2 cents for the previous year
- Board of Directors has proposed a final dividend of HK5 cents; total dividend for the year is HK27 cents

**Hong Kong, 28 June 2011** – Hung Hing Printing Group Limited (HKSE: 450) today announced its annual results for the year ended 31 March 2011. Driven by the improved performance of its core printing and packaging divisions, the Group recorded a 15% increase in revenue to HK\$2,765 million.

As a result of increasing wages, paper and commodity prices, the Group's cost of materials increased, affecting all its business units. As a result the Group experienced a 6% decline in profit attributable to shareholders, which stood at HK\$156 million. Basic earnings per share were HK17.3 cents, compared to HK18.2 cents in the previous year. The Board of Directors has proposed a final dividend of HK5 cents. This, together with the special and interim dividends of HK17 cents and HK5 cents, brings the total dividend for the year to HK27 cents versus HK23 cents in the previous financial year.

Mr. Matthew C.M. Yum, Executive Chairman of Hung Hing Printing Group Limited, commented, "To address the challenges presented by the global economic climate, the Group launched several group-wide initiatives to increase efficiency and productivity. These measures have proven to be effective, and investments made on this front have begun to pay off."

As a result of RMB appreciation during the year, the Group made HK\$21 million in exchange gains, mostly from RMB bank deposits that served to partially hedge against RMB-denominated manufacturing expenses. During the year, the shareholders (other than the Group) of our associate paper manufacturing business injected US\$ 37.5 million into the paper mill entities. While the Group's equity stake is reduced from 31 % to 17%, a HK\$ 52 million deemed disposal gain is recognized by the Group upon the enhancement in the net asset value of this associate business.

## **Business Unit Review**

Most of the Group's business units reported increased volumes as well as revenues.

**Book and Packaging Printing**, the largest business unit, saw both volume and revenue increase as a result of signs of recovery in some key export markets. The business unit recorded revenues of HK\$1,452 million, up 23% from HK\$1,178 million the previous year. Profit contribution was HK\$91 million, down 24% from HK\$119 million last year. Management continued with several initiatives to increase manufacturing efficiency, including upgrades to print and post-print technology, as well as supply chain, procurement and operations planning.

The **Consumer Product Packaging** business reported increased revenues of 14% to HK\$706 million, up from HK\$621 million the previous year. However, the delay in passing the increases in raw material and operating costs on to selling prices resulted in the business unit incurring an operating loss of HK\$1 million, compared with a profit contribution of HK\$39 million last year. The business unit made steady progress on its strategy to grow its mainland China business, especially in sectors such as food & beverage, healthcare, cosmetics and pharmaceuticals.

The **Corrugated Box** business benefited from internal demand as well as sales synergies to deliver revenues of HK\$290 million, an increase of 14% from the HK\$256 million recorded the previous year. On the back of price increases, enhanced customer portfolio and improved operations practices, profit contribution stood at HK\$46 million, up 36% from HK\$34 million last year.

The **Paper Trading** business faced more cautious trading conditions within the region's manufacturing sector. As a result its revenue decreased 8% from HK\$343 million last year to HK\$316 million. However, increases in paper prices enabled it to benefit from higher margins, yielding a profit contribution of HK\$56 million, up 22% from HK\$45 million last year.

## **Financial and Capital Resources**

The Group ended the year in a stable financial position. As of March 31 2011, the Group had a net cash balance of HK\$377 million. Capital expenditure reached HK\$157 million during the financial year. This included the purchase of several printing presses, post-print equipment and projects to improve production workflow.

## **Significant Changes in Shareholding**

On 15 April 2011, Asia Packaging Company Limited (beneficially owned by funds advised by CVC Asia Pacific Limited and currently holding 37.5% of issued share capital of the Company) signed an agreement to sell 271,452,000 shares in the Company to Rengo of Japan for HK\$1,425 million. Upon completion of the transaction, Asia Packaging's stake will be reduced to 7.6% and Rengo will become the second-largest shareholder, owning 29.9%.

## **Outlook**

The Group's diversified geographic footprint in the North American and European markets, as well as its strategic focus on the strong Chinese market, are designed to help it make continued progress while minimizing vulnerability to any one region.

Mr Yum said, "The coming year will see a slow recovery in global GDP. However, consumer confidence in some of our export markets may remain low. The Group will maintain its proactive sales strategy as well as a cost-conscious approach and stay poised to respond quickly to market developments."

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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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