



鴻興印刷集團有限公司

# Hung Hing Printing Group Limited

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PRESS RELEASE

## **Hung Hing Printing Group posts 27-fold increase in profit attributable to shareholders to HK\$1,050 million**

*High dividend backed by strong liquidity and significant gain from the disposal of paper trading warehouse*

*Acquisition of Guangdong Rengo at RMB 60 million provides further growth opportunity*

**Hong Kong, 20 March 2018** – Hung Hing Printing Group Limited (HKSE: 450), one of the largest print and packaging companies in Asia, today announced its full-year results for the financial year ended 31 December 2017. The Group reported a 6% growth in revenue to reach HK\$3,136 million (2016: HK\$2,956 million).

Profit attributable to equity shareholders of the Company amounted to HK\$1,050 million (2016: HK\$38 million), driven by improved margins through product mix rationalization and focus on higher value-added business, and the disposal of one of the paper trading warehouses during the year. Excluding the benefits from the disposal of HK\$1,144 million and the effect of a one-off charge representing discretionary bonus of HK\$17 million in light of the disposal, profit attributable to equity shareholders would be around HK\$41 million, representing an increase of 8% over the previous financial year. Basic earnings per share was HK116.7 cents. (2016: HK4.2 cents).

Based on the significant yield from the asset disposal, and backed by a strong cash and financial position, the Board of Directors has proposed a one-off special dividend in cash of HK27 cents per share and a final dividend of HK3 cents per share for 2017. Including the interim dividend of HK2 cents per share, total dividend for the year (excluding the special dividend) increased by 25% to HK5 cents per share (2016: HK4 cents per share), setting the stage for further sustained growth in shareholder returns.

The disposal of the paper trading warehouse, completed in December 2017, delivered a significant pre-tax gain of HK\$1,144 million which will enable the Group to optimize its operating model to achieve higher efficiencies. The strengthened liquidity has also allowed it to accelerate shareholder returns through special dividends, while reserving ample capital resources for quality reinvestment opportunities to generate more lucrative margins.

The Group also announced today its decision to acquire a 100% stake in Guangdong Rengo at a total consideration of RMB60 million from its major shareholder, the Rengo Group. The acquisition will augment its corrugated carton and packaging business and deliver valuable synergies in setting up a multi-location network for growth, improved efficiencies and service coverage.

Mr. Matthew C.M. Yum, Executive Chairman of Hung Hing Printing Group Limited, said, “The *new normal* for the printing industry means intensified seasonality, shorter production lead times, customization and products with integrated technology. We are making major investments in a new facility in Heshan, adopting smart factory technologies in line with Industry 4.0 principles and completely transforming our working processes. Our two major transactions this year place us in an even more advantageous position to continue delivering long-term value growth to our shareholders.”

The Group’s significant economies of scale and market-leading order fulfillment capacity allowed it to enjoy not only high cost-competitiveness, but also high bargaining power when negotiating product pricing amidst abrupt paper price movements. The Group’s Consumer Product Packaging and Corrugated Board units benefited from these competitive advantages for customer value creation and hence significantly increased profitability. The Group’s paper trading business unit was a very effective hedge, counterbalancing the effects of paper price movements for the Group to maintain and deliver consistent gross margins.

The Group’s largest business unit, Book and Package Printing, maintained its position as the leading producer of children’s books and novelty items in the region. It grew its printing business with the provision of value-added services such as design and paper engineering, as well as copyright agency services for publishers. The unit’s new “print+digital” product line offers a new revenue stream with great potential for growth.

The Group maintained a strong financial position. As at 31 December 2017, total cash net of bank borrowings stood at HK\$1,224 million. (31 December 2016: HK\$561 million). By the end of February 2018, the Group’s net cash increased to over HK\$1,600 million with the inclusion of HK\$390 million comprising the remaining proceeds from the sale of the warehousing facility. Gearing was maintained at a healthy and conservative level of 5.4% (2016: 9.6%).

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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, and manufacturing facilities at five locations in Hong Kong and China, including Shenzhen, Zhongshan and Heshan in the Guangdong province and 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 8,600 employees. It has been listed on The Hong Kong Stock Exchange since 1992.

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