



鴻興印刷集團有限公司

Hung Hing Printing Group Limited

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PRESS RELEASE

Hung Hing Records Significant Growth in Interim Net Profit HK\$17 Million Achieved in First Half of 2017

*Group expects smooth completion of the disposal of warehouse facility –
Sun Hing Paper (Shenzhen) Company Limited - in the second half of 2017
Special dividend will be paid out in Q2 2018*

- Revenue increased by 5.4% to HK\$1,395 million compared to the corresponding period in 2016
- Net profit improved to HK\$17 million, of which HK\$14.4 million was profit attributable to equity shareholders of the Company. This was a significant improvement over a net loss of HK\$21.6 million recorded in 2016.
- Group has strong financial position with approximately HK\$501 million net cash on hand
- Group declares interim dividend of HK2 cents per ordinary share
- A special dividend will be distributed in May or June 2018 after the transaction related to the disposal of Sun Hing Paper (Shenzhen) Company Limited is completed and booked in the second half of 2017

Hong Kong, 29 August 2017 – Hung Hing Printing Group Limited (HKSE: 450), one of the largest printers in Asia, today announced its interim results for the six months ended 30 June 2017. Group revenue grew to HK\$1,395 million, representing an increase of 5.4% over the comparable period last year. Growth in domestic and export sales, enhancements in efficiency and capacity utilisation, and a planned rationalisation of the company's product lines drove a significant increase in profit from operating activities to HK\$27.4 million, compared to a net loss of HK\$17.6 million during the same period in 2016.

As a result of the revenue growth and a 1.7% point increase in gross profit margin, net profit improved to HK\$17 million, of which HK\$14.4 million was profit attributable to equity shareholders of the company. This represented a considerable improvement over the net loss of HK\$21.6 million recorded in 2016.

Earnings per share was HK1.6 cents. The board of directors declared an interim dividend of HK2 cents (2016: HK1 cent) per share.

Mr. Matthew C.M. Yum, Executive Chairman of Hung Hing Printing Group Limited, said, "The period under review was characterised by economic stabilisation and improved customer confidence in key markets on the demand side and continuing consolidation on the supply side. These factors, combined with our continuous efforts to enhance agility and innovation, enabled us to deliver solid growth in both revenue and profitability."

During the period, the Group announced an agreement to dispose of Sun Hing Paper (Shenzhen) Company Limited, one of the warehousing facilities belonging to the Paper Trading business. This strategic transaction will optimise the Group's operating model, help achieve higher efficiencies, and facilitate further investments in automation and workflow improvements to position the Group for long-term growth. The transaction is expected to be completed in the second half of 2017.

Another major initiative undertaken during the period was the construction of a modern new facility in Heshan with advanced machinery that will greatly boost efficiency and productivity. The facility is expected to come into operation by the first quarter of 2018.

Business Unit Review

The period under review saw all of the Group's business units benefit from portfolio rationalisation and take advantage of resurgent economies in the US and China to improve margins.

Book and Package Printing, the Group's largest business unit, achieved 3.1% revenue growth to reach HK\$784 million and improved its profit contribution to HK\$2.7 million, compared to a loss of HK\$12 million last year. Sales momentum picked up significantly from the second quarter of 2017 as the business unit entered its peak season, and the outlook for the second half of the year is positive. The business unit was also able to leverage the expertise of the Group's innovation hub, Beluga, to introduce cutting-edge designs with integrated technological elements that helped boost its profit contribution.

Consumer Product Packaging recorded 6.9% growth in external revenue to reach HK\$297 million, improving its profit contribution to HK\$14 million vs a loss of HK\$6 million last year. The business unit was able to drive stronger sales by capitalising on the opportunities presented by the resurgent mainland Chinese economy and the sustained growth of the market's affluent middle class. It also realigned its product and customer portfolios to successfully secure new value-added and higher margin business opportunities.

Corrugated Box generated external revenue of HK\$80 million, representing a 20.5% year-on-year increase, and contributed profit of HK\$17 million compared to breakeven last year. The business unit was able to grow revenues through effective inventory management that helped it manage abrupt demand surges resulting from unpredictable paper supply conditions. The Group's economies of scale and enhanced capacity utilisation allowed the business unit to offer competitive solutions to its business partners without interruptions in supply, driving increases in margins and profitability.

Paper Trading increased its external revenue by 7.1% to HK\$233 million and contributed HK\$11 million in profit, 32% more than the same period last year. Paper Trading was able to benefit from favourable inventory turnover by leveraging paper price trends to achieve higher profitability. The sale of Sun Hing Paper (Shenzhen) Company Limited will enable the Group to better manoeuvre the warehousing facilities of its paper trading operations, helping the business unit enhance its efficiency, agility and logistical proximity to customers and partners.

Outlook

Mr. Yum said, “We have entered the second half of the year with cautious optimism thanks to the strong progress we made in the first six months. We have created a more compelling range of solutions, improving our value proposition whilst achieving profitability.”

Mr. Yum added that he expected the transaction related to the disposal of Sun Hing Paper (Shenzhen) Company Limited to be completed and booked on schedule in the second half of the year as indicated in the Group’s earlier circular. The pre-tax gain from the transaction of HK\$900 million would be revised upward to approximately HK\$960–1,000 million due to favourable exchange rates and savings achieved from smooth implementation of the disposal. The board of directors will recommend to pay out a special dividend in cash or scrip which will be distributed in May or June 2018 together with the final dividend associated with the 2017 full-year results.

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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 9,200 employees. It has been listed on The Hong Kong Stock Exchange since 1992.

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