



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

Interim Results
6 months to 30 June 2013

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Note: Hung Hing Printing Group introduced 31 December as its new financial year end date in 2012. This is the first time that the Group has reported its interim results for the new six-month period from 1 January to 30 June. To facilitate meaningful comparison, and eliminate the effect of seasonality due to different cut-off dates for the results, data for the comparable previous period (January to June 2012) is used in our discussion below.

Highlights

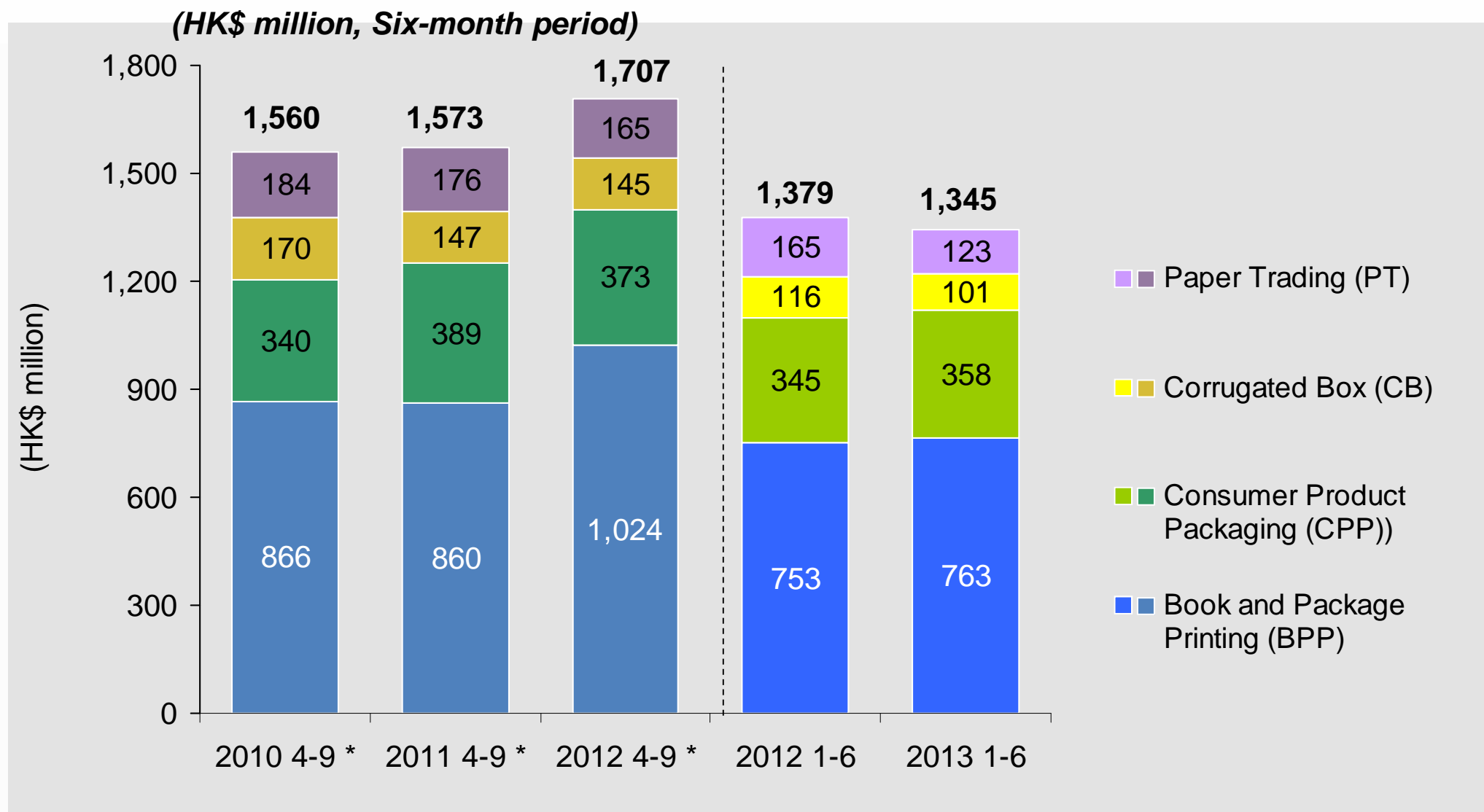
- Group revenues HK\$ 1,345 million were slightly behind the comparable period in 2012 by 2% for the six months ended 30 Jun 2013.
- Profit attributable to shareholders rose 30% to HK\$16 million.
- Robust financial position with net cash of HK\$345 million; increased by HK\$104 million from year end 2012.
- Orders picked up significantly in the 2Q despite a soft start in 1Q due to persistent economic uncertainties; the Group attained growth in overall paper consumption and high asset utilization in 2Q.
- Effective hedge against RMB exchange fluctuation, exchange gains on deposits and returns from forward contracts more than offset operating cost increase related to RMB appreciation

Financial Highlights :

Stable Aggregate Revenue with Increase in Profit attributable to shareholders

HK\$ million	Six months ended 30 Jun			
	2013	2012	Change	%
Revenue	1,345	1,379	(34) ↓	-2%
Gross profit	186	202	(16) ↓	-8%
<i>Gross profit %</i>	<i>14%</i>	<i>15%</i>	-1% ↓	
Operating profit	24	32	(8) ↓	-26%
<i>Operating profit %</i>	<i>2%</i>	<i>2%</i>	0%	
Profit before income tax	21	18	3 ↑	15%
Profit attributable to HH Shareholders	16	12	4 ↑	30%

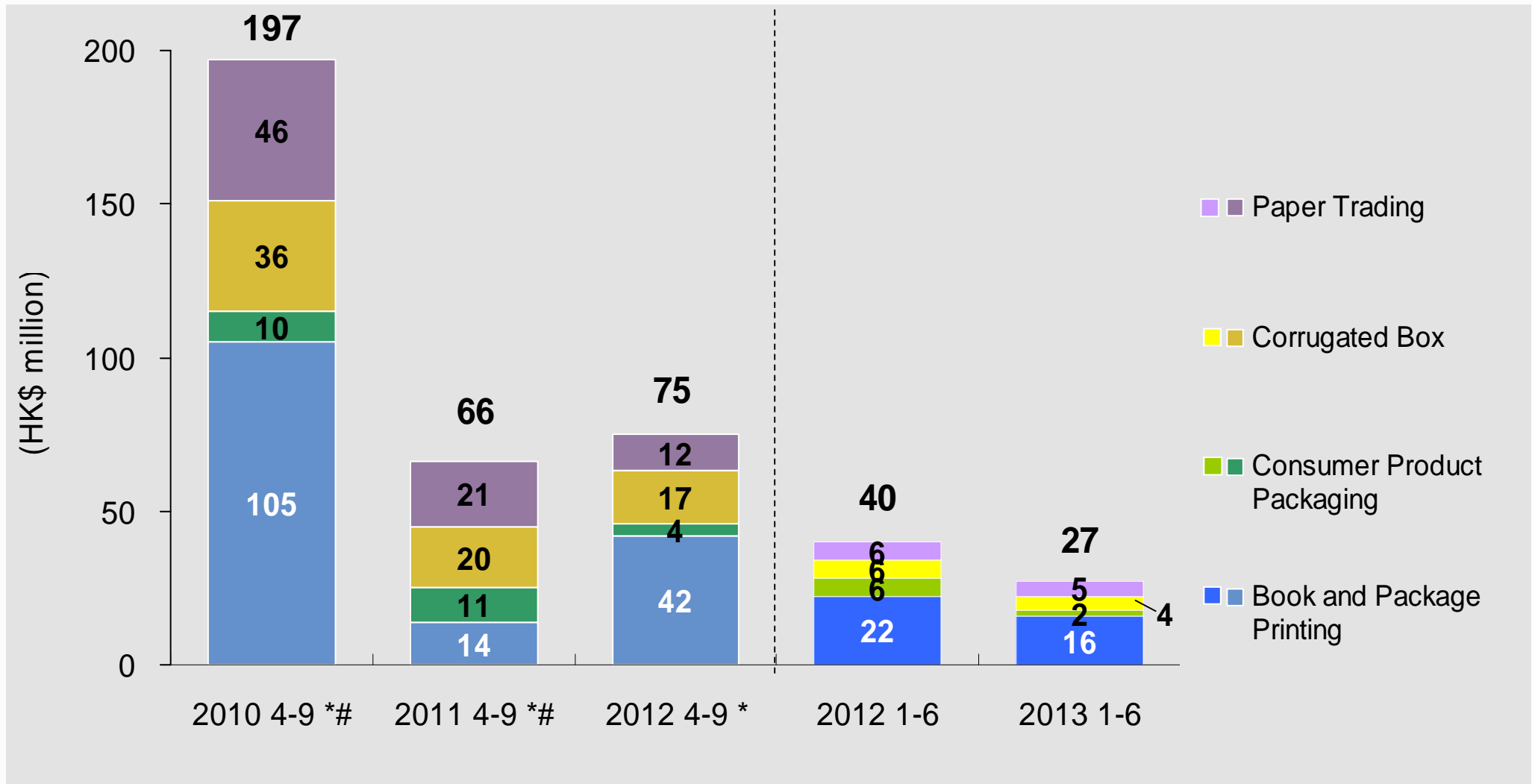
Maintain solid leadership position with stable aggregate revenue; Two key BUs BPP & CPP reported moderate growth



* Subject to seasonality due to change in cut-off from “Apr-Sep” to “Jan-Jun”

Segment profits were disadvantaged vs. prior period due to unfavorable order pattern changes and increased labor & social insurance costs

(HK\$ million, Six-month period)



Abrupt impact on 2011 earnings due to 4% appreciation of RMB and 20% minimal wage increase

* Subject to seasonality due to change in cut-off from “Apr-Sep” to “Jan-Jun”

Business Unit Review

Hung Hing has established infrastructure in the PRD region and an established base in East China

Hung Hing—overview of manufacturing facilities

Zhongshan



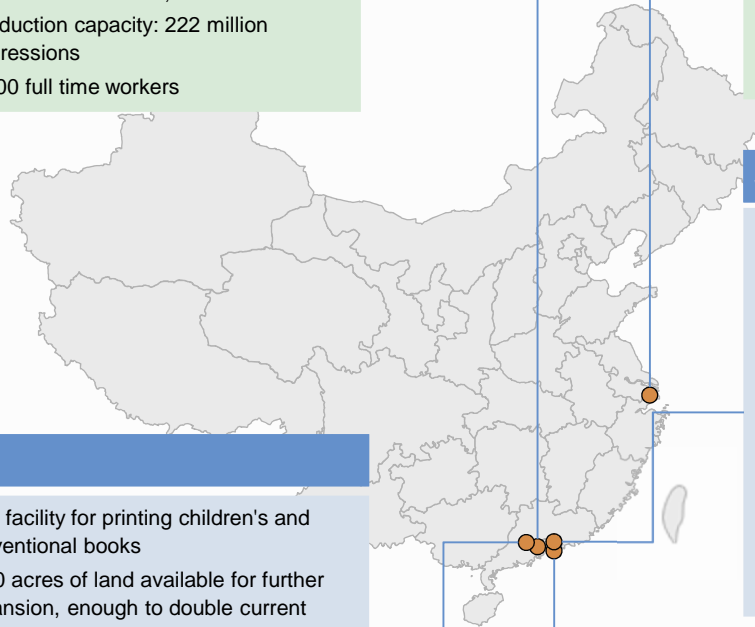
- Printing and manufacturing of folding cartons, litho lam and corrugated containers
- Awarded ISO9001 certification
- Production area: 130,000 m²
- Production capacity: 222 million impressions
- 1,000 full time workers

Wuxi



- Printing and manufacturing of folding cartons, litho lam and corrugated containers
- Awarded ISO9001 and ISO14001 certifications
- Production area: 50,000 m²
- Production capacity: 147 million impressions
- 1,000 full time workers¹

- Book and package printing
- Consumer product packaging



Shenzhen



- Printing and manufacturing of folding carton, children's books, conventional books, litho lam and corrugated containers
- Paper Trading, with warehouse of 36,600m²
- Warehouse with storage capability of 60,000 tons
- Awarded ISO9001, ISO14001 and ICTI-COBP certifications
- Production area: 175,000 m²
- Production capacity: 638 million impressions
- 6,000 – 8,500 full time workers¹
 - Of which 4,000 – 6,000 hand assembled related¹

Heshan



- New facility for printing children's and conventional books
- ~170 acres of land available for further expansion, enough to double current operations
- Awarded ISO9001 and ICTI-COBP certifications
- Production area: 110,000 m²
- Production capacity: 213 million impressions
- 2,000 – 3,500 full time workers¹
 - Of which 1,600 – 2,900 hand assembled related¹

Hong Kong



- Corporate headquarters
- Small scale printing of conventional books
- Paper Trading, with warehouse of 11,560 m²
- Warehouse facility with 20,000 tons of storage space
- 300+ full time workers

Note: The Hong Kong, Shenzhen and Heshan facilities focus primarily on export sales, whilst the Wuxi and Zhongshan facilities cater primarily to the local Chinese market

¹ Fluctuates with seasonality demands

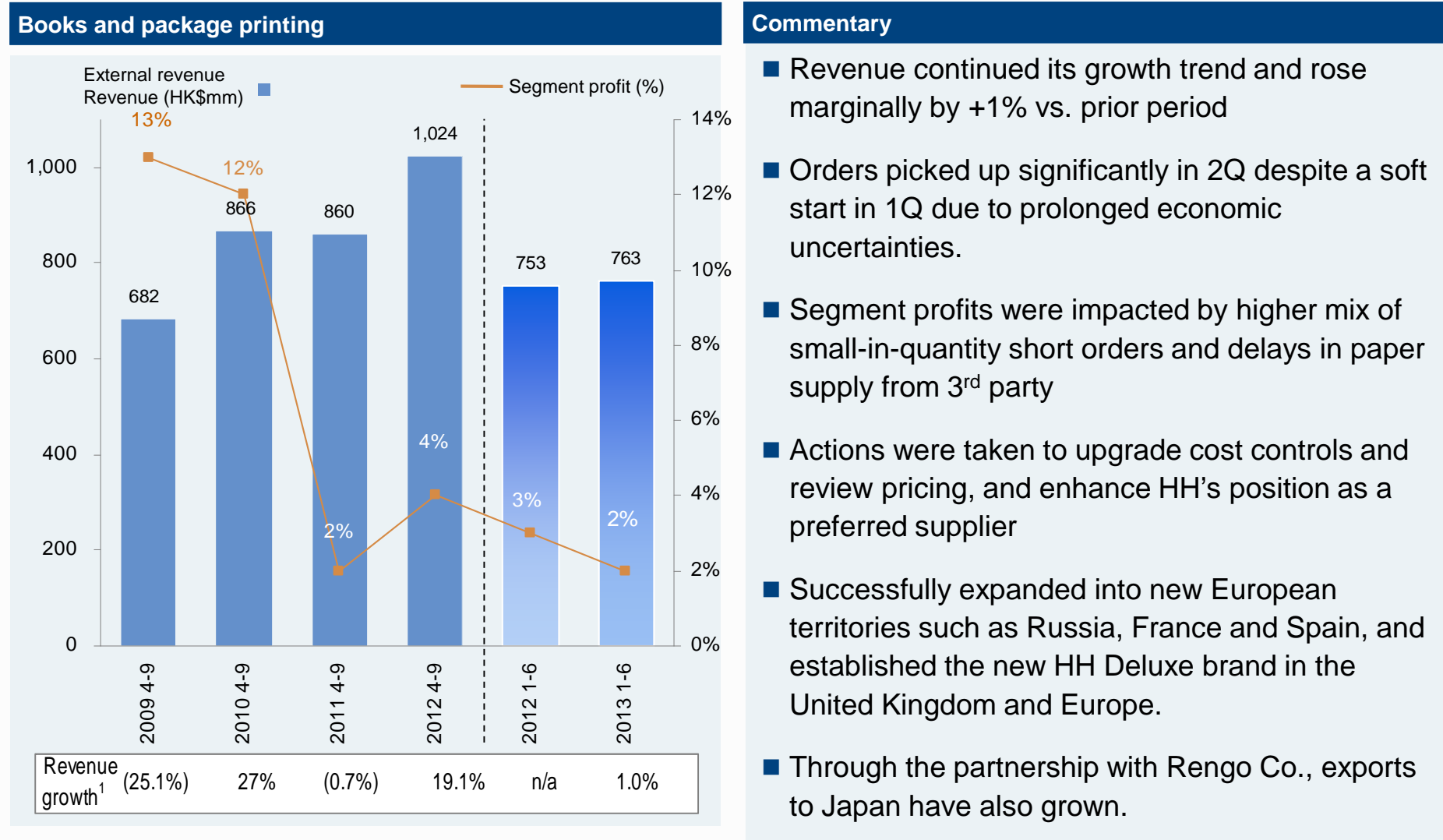
Hung Hing operates four complementary business segments



	Book & package printing	Consumer product packaging	Corrugated box	Paper trading
Market position	<ul style="list-style-type: none"> ■ Leader globally 	<ul style="list-style-type: none"> ■ Major player in China 	<ul style="list-style-type: none"> ■ Major player in South China 	<ul style="list-style-type: none"> ■ Major player in South China
% 2013 Jan-Jun revenue	<ul style="list-style-type: none"> ■ 57% (HK\$763mm) 	<ul style="list-style-type: none"> ■ 27% (HK\$358mm) 	<ul style="list-style-type: none"> ■ 7% (HK\$101mm) 	<ul style="list-style-type: none"> ■ 9% (HK\$123mm)
Key products	<ul style="list-style-type: none"> ■ Children's books ■ Toys Packaging ■ Luxury Packaging 	<ul style="list-style-type: none"> ■ Personal care products ■ Packaged food ■ Consumer electronics 	<ul style="list-style-type: none"> ■ Primarily for export and transportation purposes 	<ul style="list-style-type: none"> ■ High quality papers sourced from Europe, Americas, Southeast Asia and China. 
Key facilities	<ul style="list-style-type: none"> ■ Three production facilities in Shenzhen, Heshan, and Hong Kong ■ Total capacity of ~850 million impressions 	<ul style="list-style-type: none"> ■ Two production facilities in Zhongshan and Wuxi, each equipped with dust-free manufacturing zone and BRC (British Retail Consortium) certified. 	<ul style="list-style-type: none"> ■ Main production facility in Shenzhen ■ Additional facility in Zhongshan included under consumer product packaging 	<ul style="list-style-type: none"> ■ Two warehouses in Shenzhen and Hong Kong, with total storage capacity of ~80,000 tons

Segment financials – Books and Package Printing (BPP)

External revenue & Segment profit % (Six-month period)

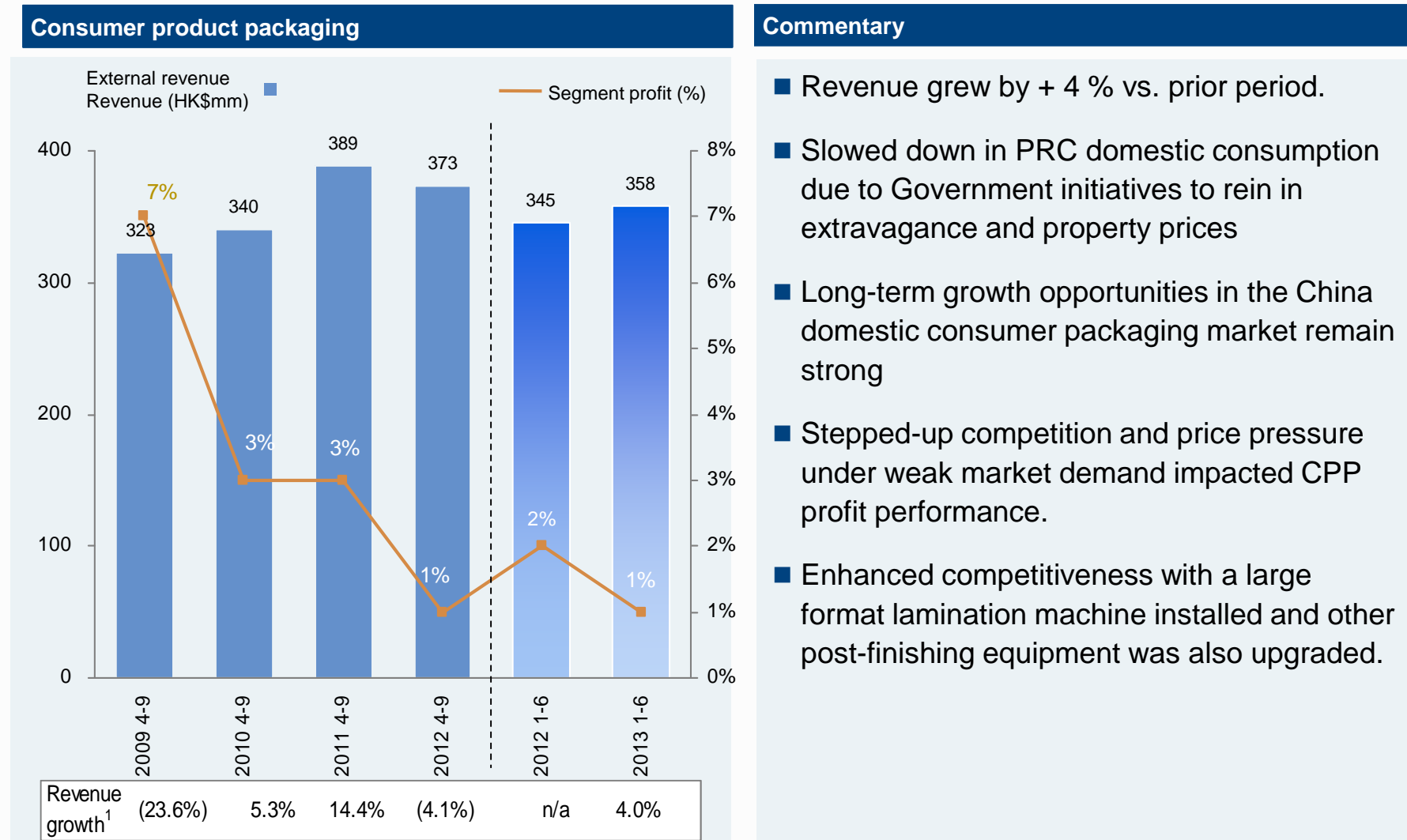


¹ Based on change in external sales

* Subject to seasonality due to change in cut-off from “Apr-Sep” to “Jan-Jun”

Segment financials – Consumer Product Packaging (CPP)

External revenue & Segment profit % (Six-month period)

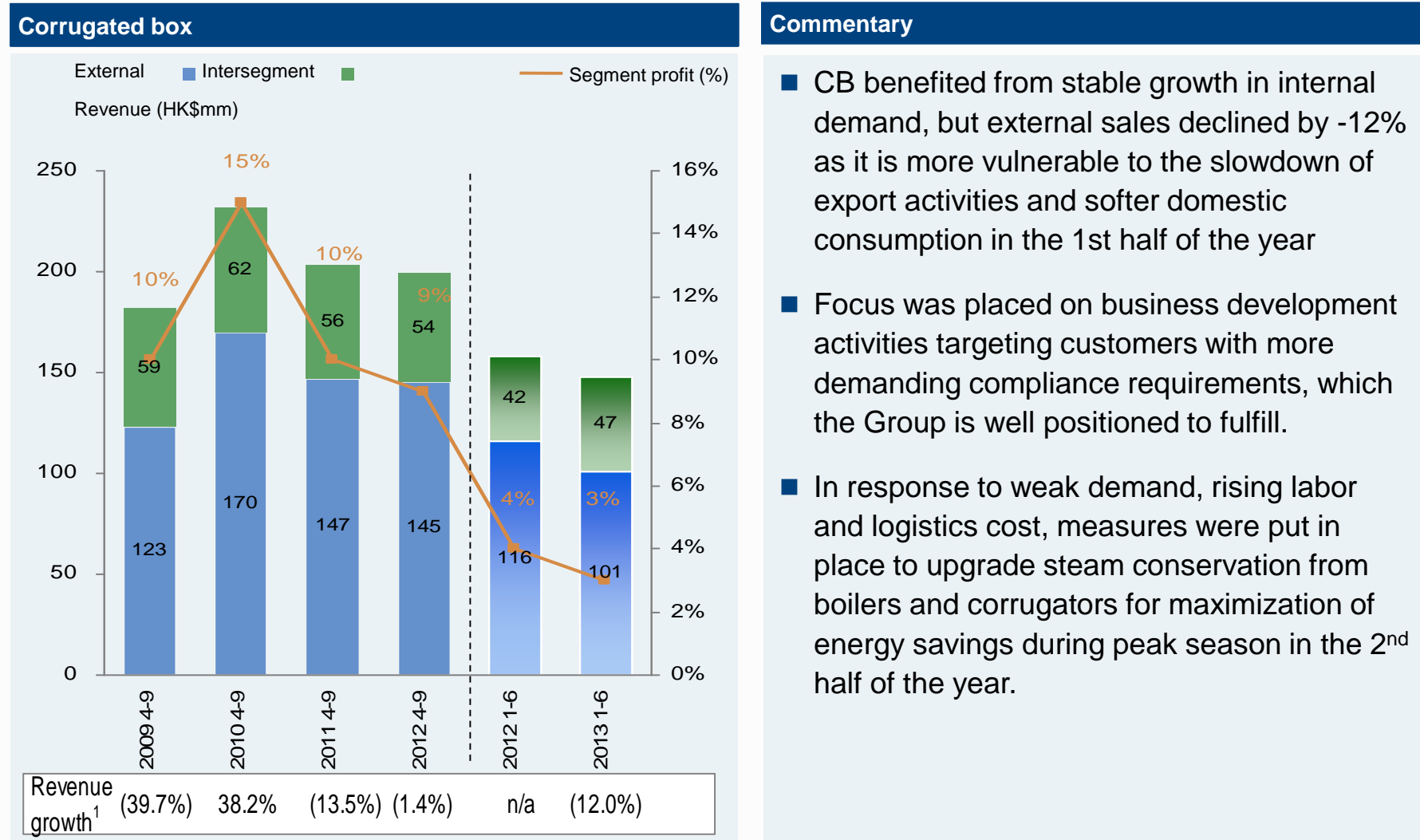


¹ Based on change in external sales

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Segment financials – Corrugated Box (CB)

External revenue & Segment profit % (Six-month period)

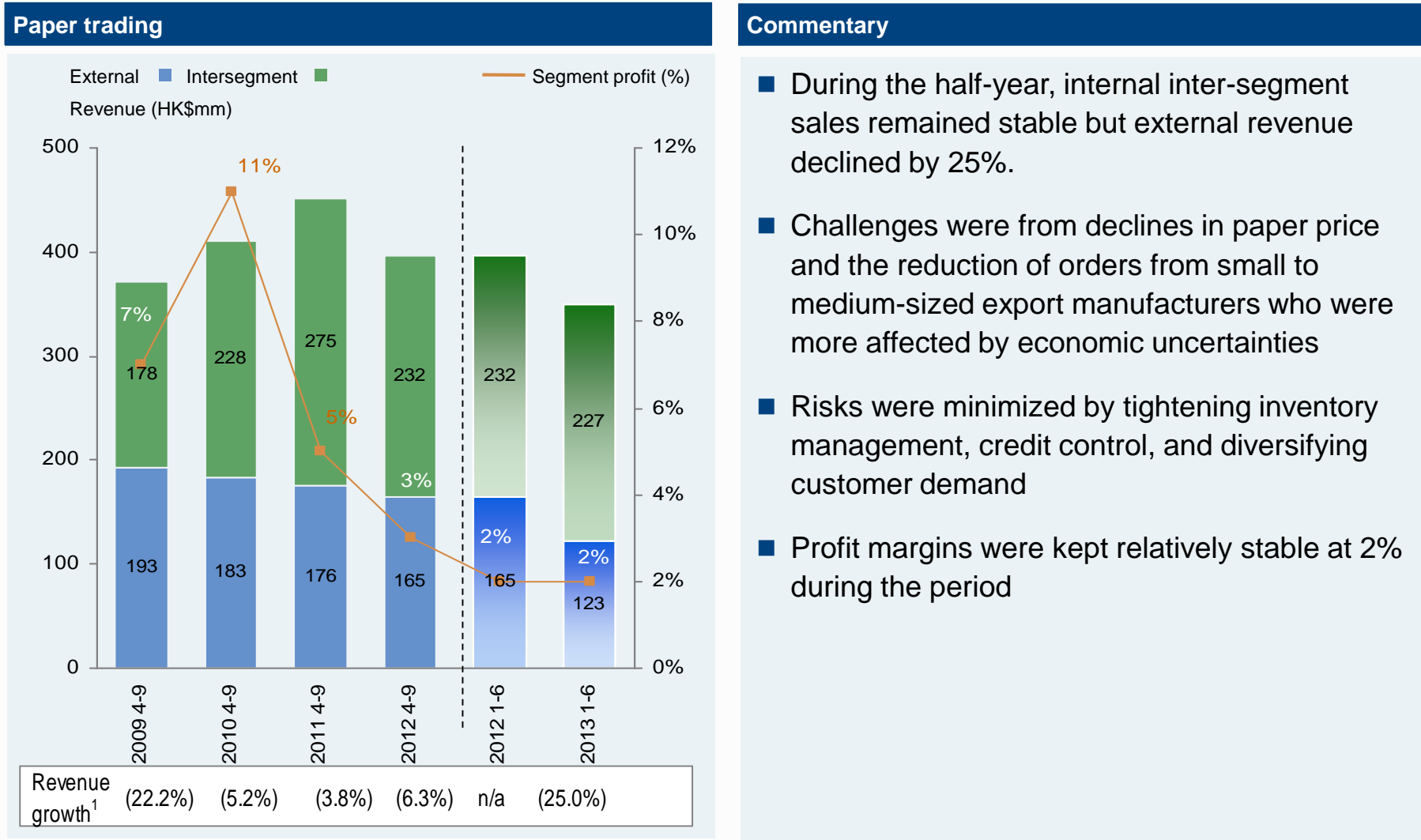


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Segment financials – Paper Trading (PT)

External revenue & Segment profit % (Six-month period)



¹ Based on change in external sales

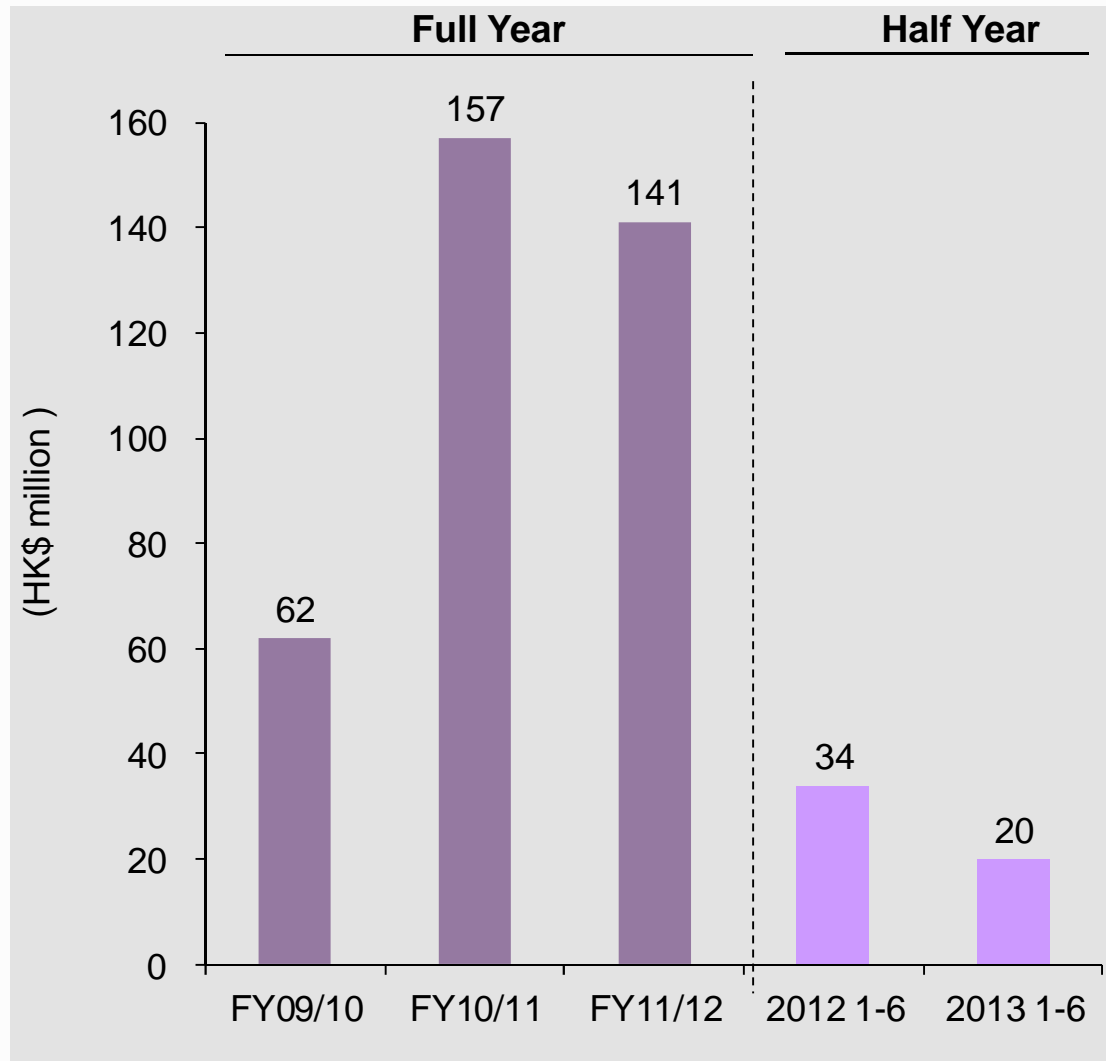
* Subject to seasonality due to change in cut-off from “Apr-Sep” to “Jan-Jun”

Robust financial position with net cash of HK\$345 million; increased by HK\$104 million from year end 2012; Working Capital also improved by HK\$54 million

HK\$ million	30 Jun 2013	31 Dec 2012	Change		%
Property, plant & equipment	1,330	1,352	(22)	↓	-2%
Inventories	671	613	58	↑	10%
Inventories days *	65	70			
Trade and bills receivables	791	824	(33)	↓	-4%
AR days *	81	93			
Cash and deposits	702	623	79	↑	13%
Borrowings	357	382	(25)	↓	-7%
Short-term	198	153	45	↑	29%
Long-term	159	229	(70)	↓	-31%
Trade and bills payables	261	182	79	↑	43%

* Period end balance / Average of latest three months' revenue x 30

Capital Investment Recognized

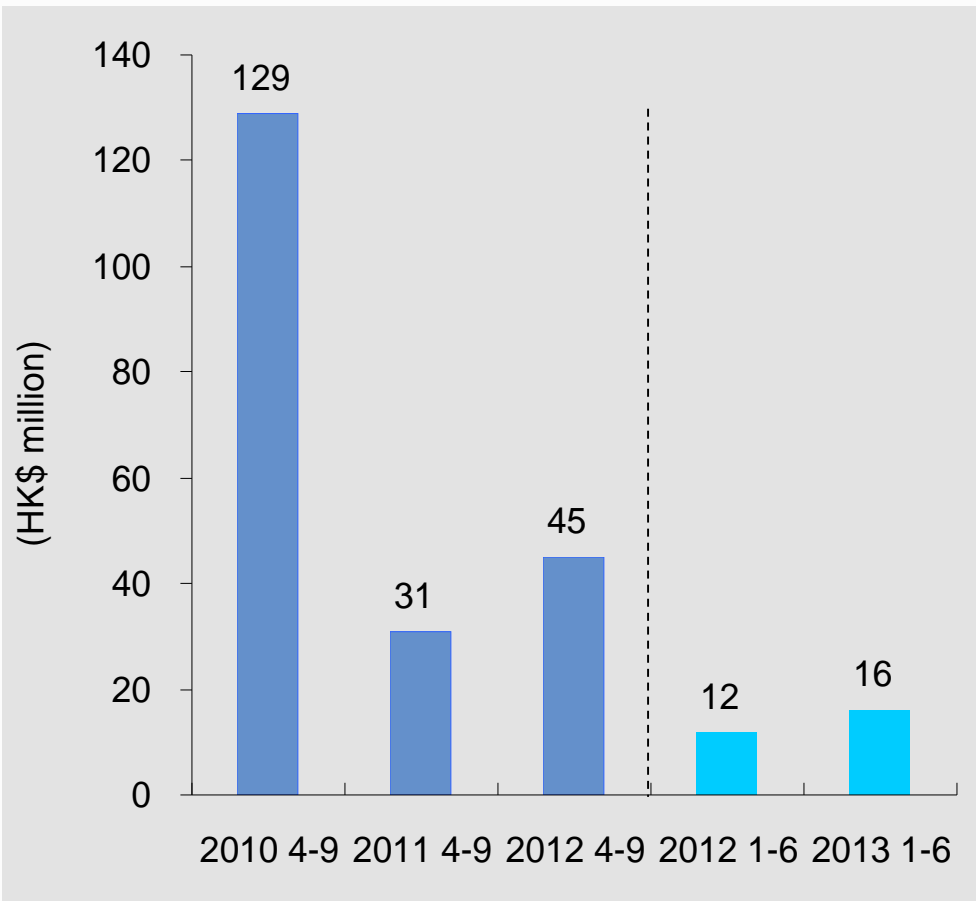


Commentary

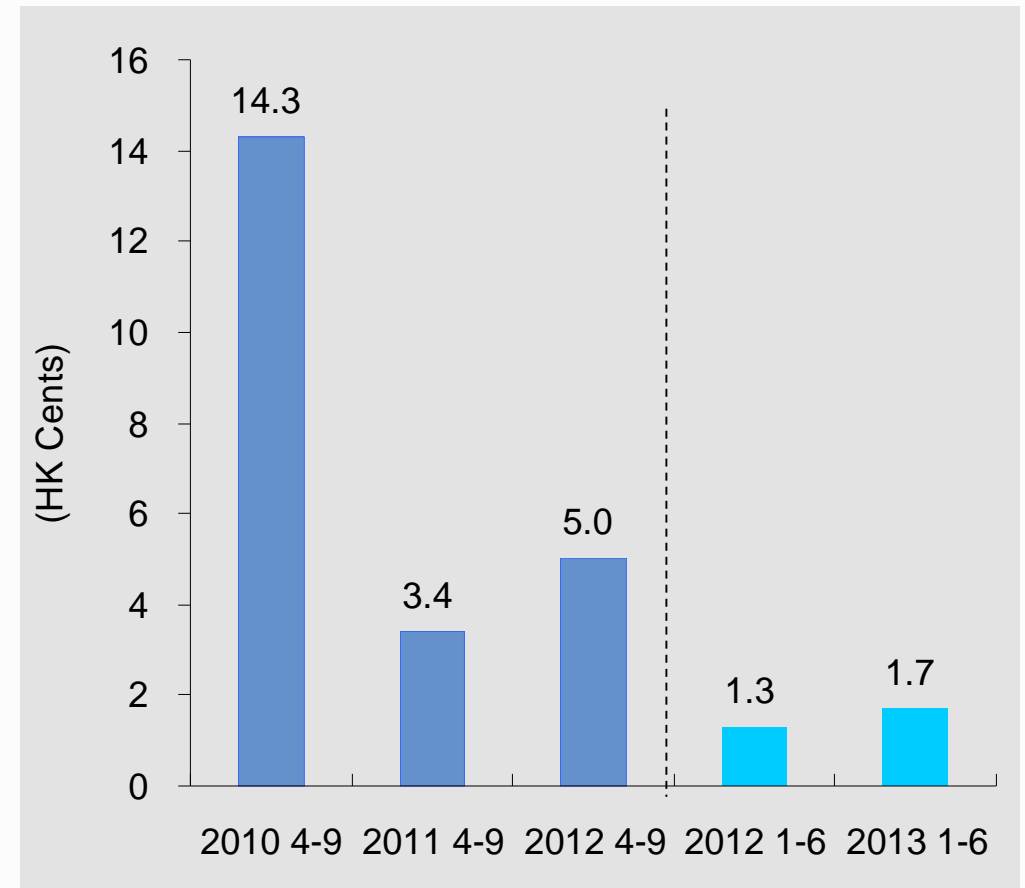
- Amid the prolonged economic uncertainties in both export and domestic markets, the Group continue to invest for business growth and automation for capacity increase and operating efficiencies
- HK\$20 million CAPEX was recognized out of total HK\$31 million commitment during the 1st half of the year in supplementary printing equipment primarily to strengthen automation and enhance production efficiency

Profit Attributable To Owners of the HHPG & Earnings Per Share

Profit attributable to Owners of HH Six-month period

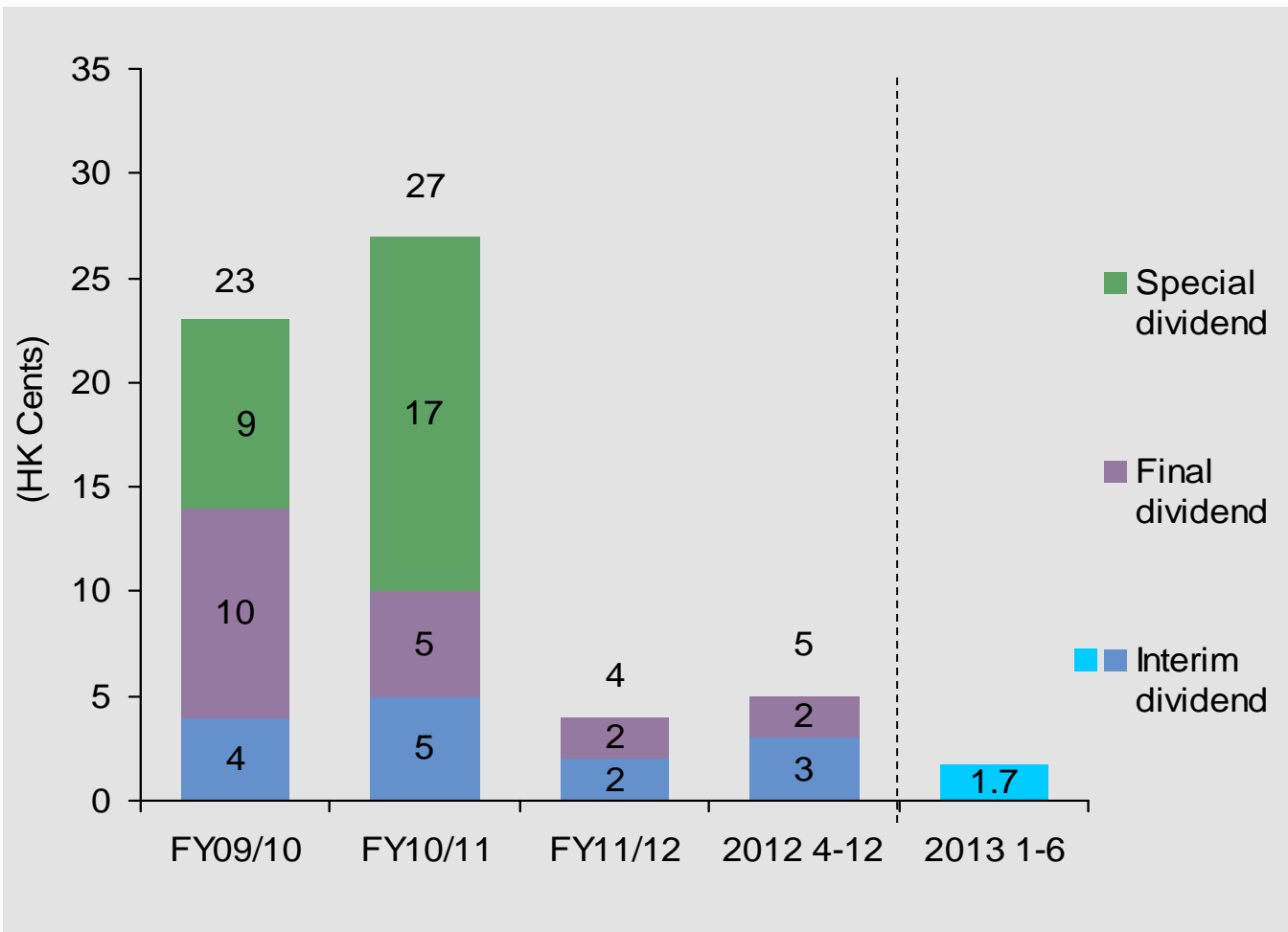


Basic Earnings per share Six-month period



* Subject to seasonality due to change in cut-off from “Apr-Sep” to “Jan-Jun”

Proposed Dividends



Commentary

- Earnings per share
HK 1.7cents (interim)
- Backed by the Group's strong cash flow and solid financial position, an interim dividend of HK 1.7 cents per shares was declared.

BelugaBloo – A New e-Publishing Service



It's is not just a novelty, it's an experience.



A children's bookstore with an extensive selection of interactive stories and games.

Learning has never been so much FUN!



Our valued partners:

www.belugabloo.com



BelugaBloo – Latest Update

- The BelugaBloo kids e-bookstore, introduced by the Group in 2011, continued to expand and now features over 200 children’s applications, attracting increasing downloads from markets across the world during the period. The platform has helped strengthen our printing business by deepening our relationship with international publishers.
- During the period under review, the Group partnered with a renowned children’s choral and performing arts center in Hong Kong to launch an innovative printed musical product that can interact with the iPad to provide music-related entertainment and education to children. Combining printing and digital technologies to create other innovative new applications and offerings, the Group is confident to yield new business opportunities in areas such as education, publishing, and brand advertising

Thank you

Q&A

A 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.