



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

Interim Results

6 months to September 2012

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Highlights

- Group revenues were up +8 % for the six months ended 30 Sep 2012.
- Profit attributable to shareholders +46%.
- While the rate of consolidation in export printing industry accelerated, Hung Hing has benefitted as publishers are seeking a printer partner of reassurance of size and established reputation.
- The PRC packaging printing industry has seen over-investment leading to fierce price competition despite rapidly rising demand. A slowing economy and new entrants moving from book printing has made the situation worse.
- The slowdown in inflation rate for input costs in China and the gains from automation and productivity initiatives have improved the Group's profit margin.

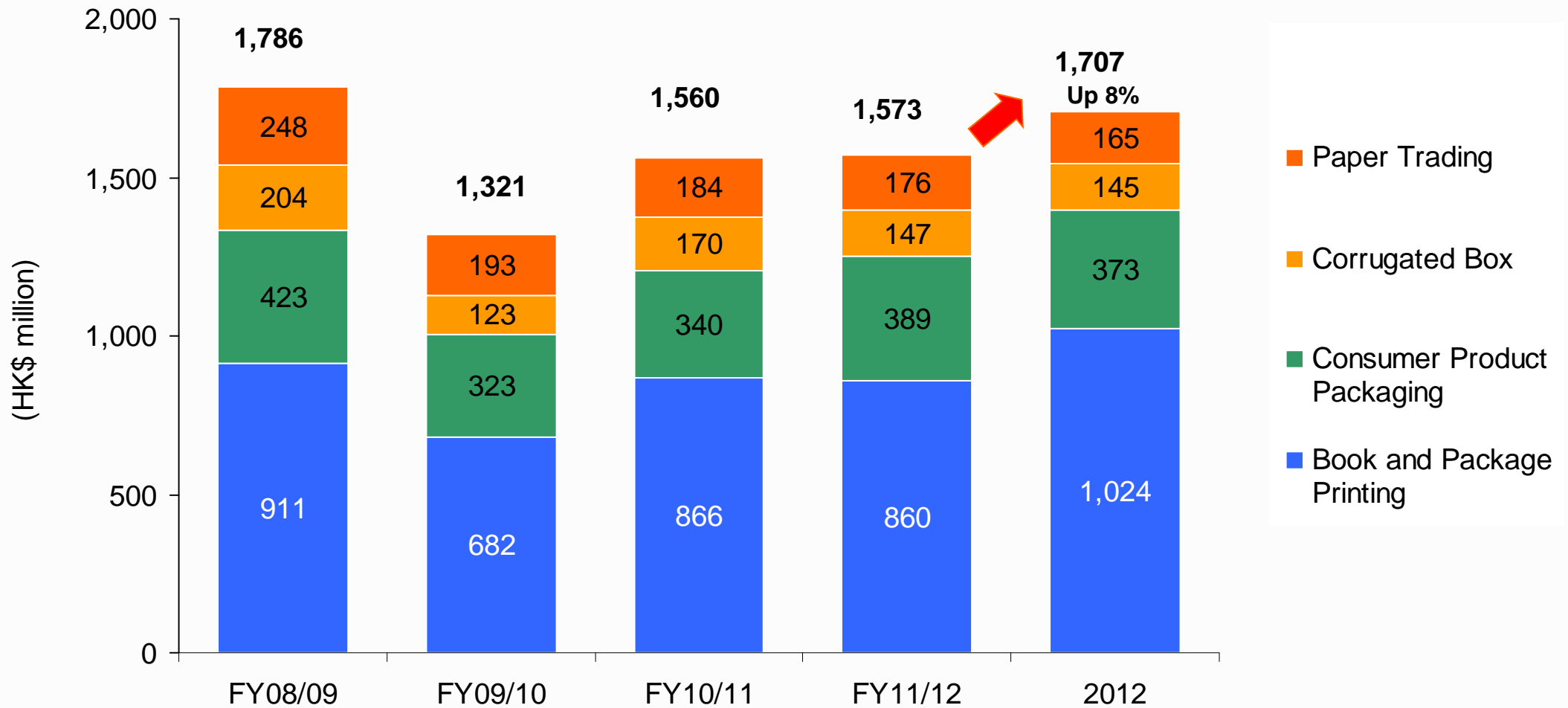
Financial Highlights

Revenue growth boosts profitability

HK\$ million	Six months ended 30 Sep				
	2012	2011	Change	%	
Revenue	1,707	1,573	134	↑	8%
Gross profit	253	209	44	↑	21%
<i>Gross profit %</i>	<i>15%</i>	<i>13%</i>	2%	↑	
Operating profit	71	56	15	↑	27%
<i>Operating profit %</i>	<i>4%</i>	<i>3%</i>	1%	↑	
Profit before income tax	55	45	10	↑	22%
Profit attributable to HH Shareholders	45	31	14	↑	46%

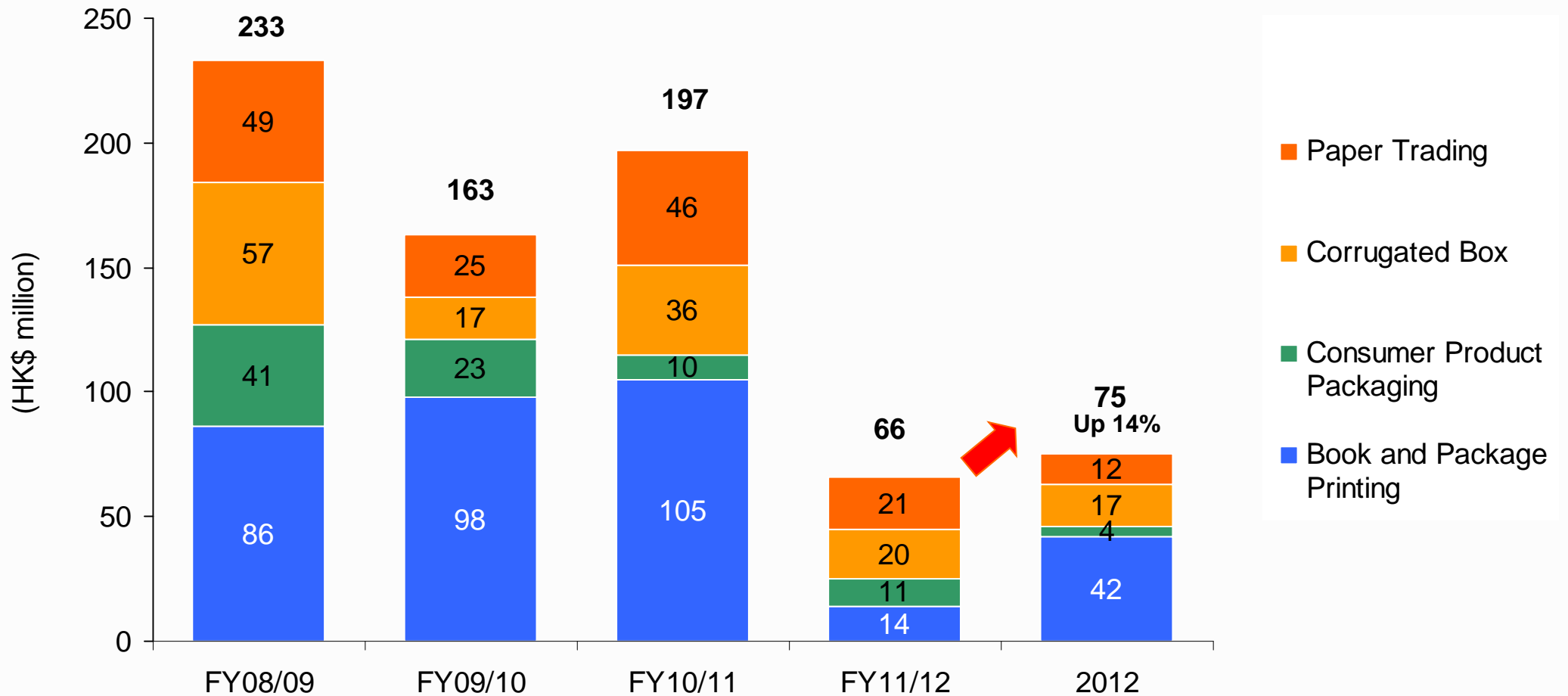
Operating Revenue is up 8%

(HK\$ million, 6 months ended Sep 2012)



Segments Operating Profits are up 14%

(HK\$ million, 6 months ended Sep 2012)



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, ISO 14001, FSC certifications
- Production area: 130,000 m²
- Production capacity: 250 million impressions
- 1,200 full time workers



Wuxi

- Printing and manufacturing of folding cartons, litho lam and corrugated containers
- Awarded ISO9001, ISO14001, FSC, WSA, GSV & BRC certifications
- Production area: 50,000 m²
- Production capacity: 150 million impressions
- 900 – 1,300 full time workers¹
 - Of which 200 – 600 hand assembled related¹



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, GSV, FSC and ICTI-COBP certifications
- Production area: 175,000 m²
- Production capacity: 638 million impressions
- 5,000 – 7,000 full time workers¹
 - Of which 3,000 – 5,000 hand assembled related¹



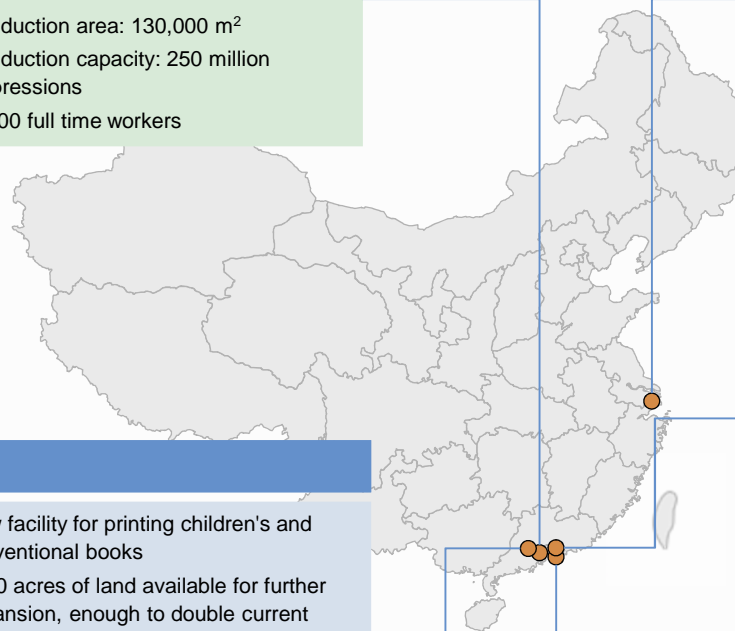
Heshan



- New facility for printing children's and conventional books
- ~170 acres of land available for further expansion, enough to double current operations
- Awarded ISO9001, ISO 14001, SA 8000, ICTI-COBP, FSC & BRC certifications
- Production area: 123,000 m²
- Production capacity: 280 million impressions
- 2,200 – 3,500 full time workers¹
 - Of which 1,600 – 2,900 hand assembled related¹

Hong Kong

- Corporate headquarters
- Small scale printing of conventional books
- Awarded FSC & PEFC certifications
- Paper Trading, with warehouse of 11,560 m²
- Warehouse facility with 20,000 tons of storage space
- 340 employees



- Book and package printing
- Consumer product packaging

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

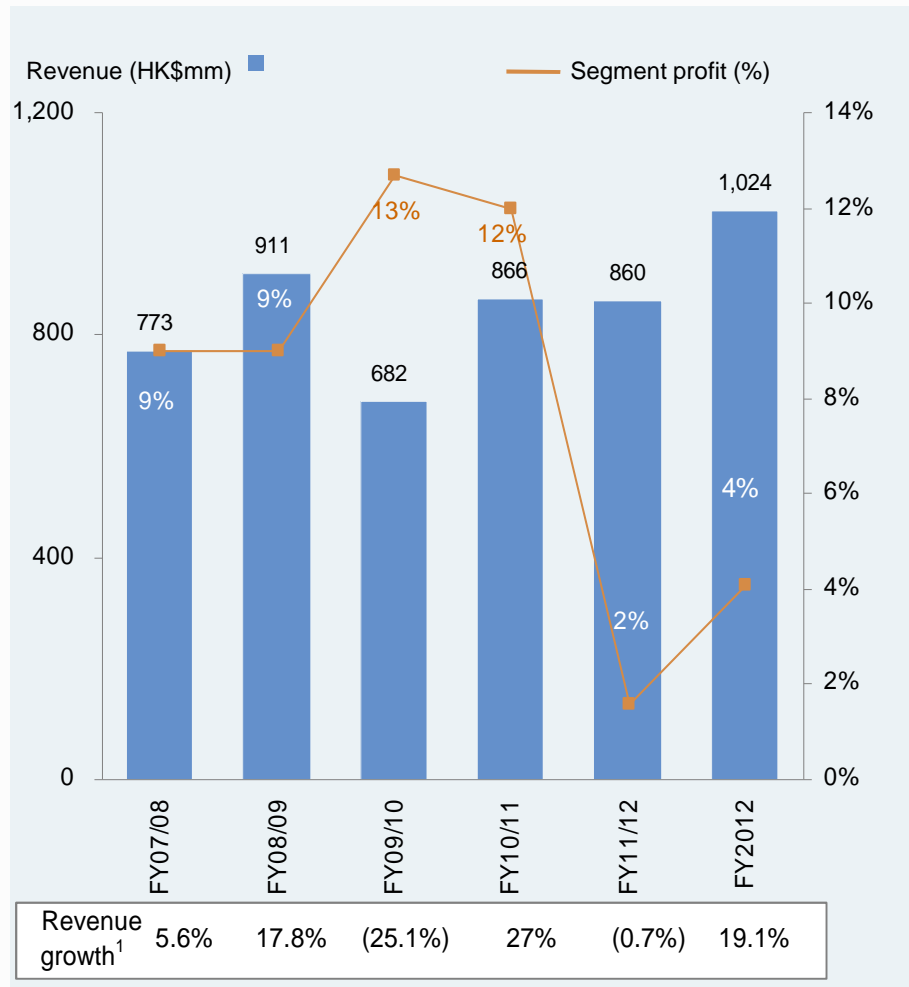


	Book & package printing	Consumer product packaging	Corrugated box	Paper trading
Market position	<ul style="list-style-type: none"> ■ Leader globally 	<ul style="list-style-type: none"> ■ Major player in China 	<ul style="list-style-type: none"> ■ Major player in South China 	<ul style="list-style-type: none"> ■ Leader in South China
% 2012 revenue	<ul style="list-style-type: none"> ■ 60% (HK\$1,024mm) 	<ul style="list-style-type: none"> ■ 22% (HK\$373mm) 	<ul style="list-style-type: none"> ■ 8% (HK\$145mm) 	<ul style="list-style-type: none"> ■ 10% (HK\$165mm)
Key products	<ul style="list-style-type: none"> ■ Children's books ■ Toys ■ 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

External revenue & Segment profit % (Six months ended 30 Sep)

Books and package printing



¹ Based on change in external sales

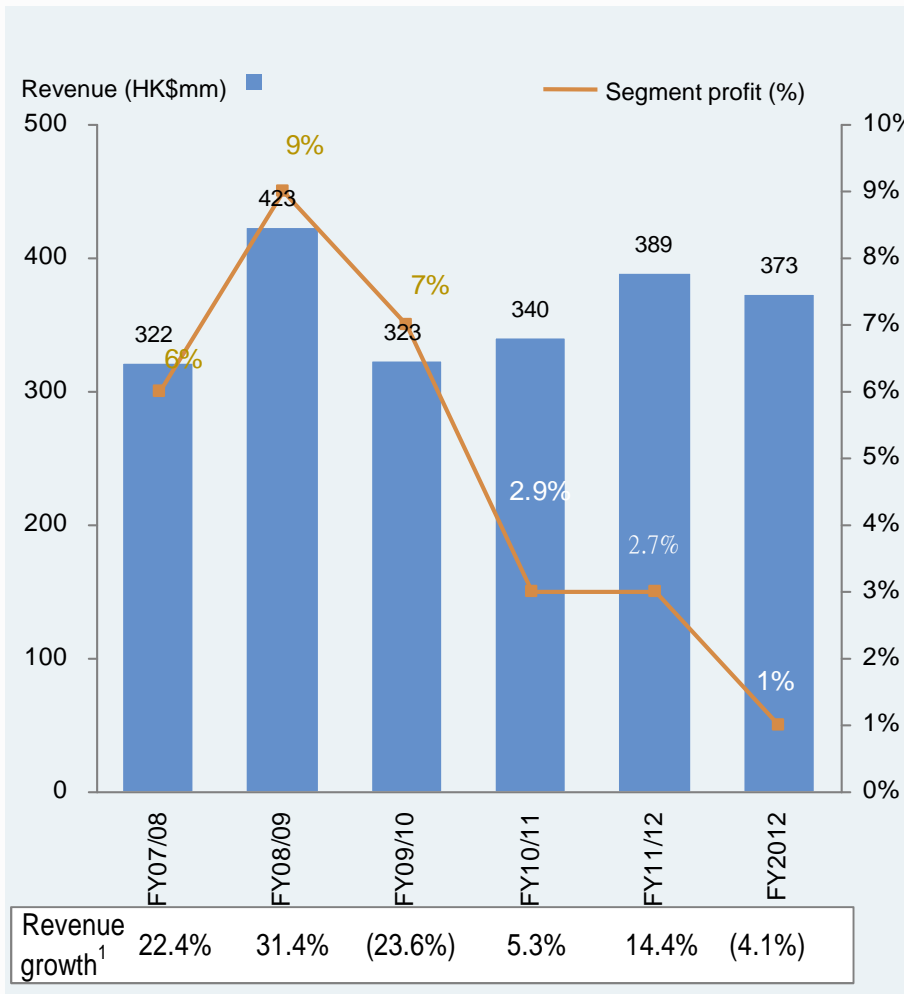
Commentary

- We maintain our market share and leadership position. Sales were up by 19%.
- Slow economic recovery and the increase use of e-books have accelerated industry consolidation. As one of the largest and most reputable printers in the region, Hung Hing is a beneficiary of this process
- Margins were improved by stable material costs, implementation of automation and productivity initiatives.

Segment financials – Consumer product packaging

External revenue & Segment profit % (Six months ended 30 Sep)

Consumer product packaging



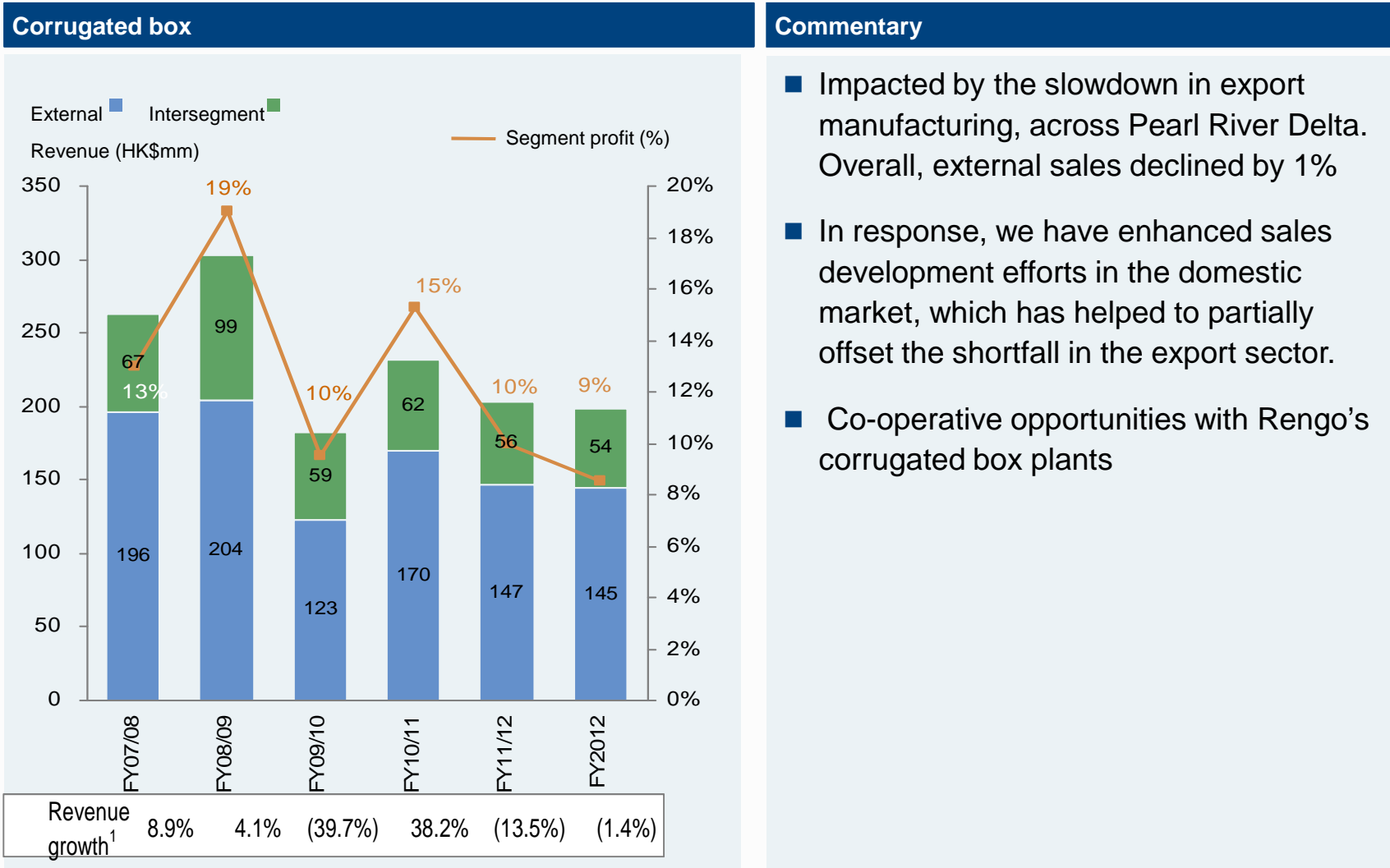
¹ Based on change in external sales

Commentary

- Keen competition in the fairly fragmented market where pricing is of crucial importance;
- On-going strategy to enhance local sales team
- Significant improvements in Wuxi plant.
- Installed 'dust-free' manufacturing zone in both Zhongshan and Wuxi plants; adding competitive advantages selling to packaged food and pharmaceutical clients.

Segment financials – Corrugated box

Revenue & Segment profit % (Six months ended 30 Sep)

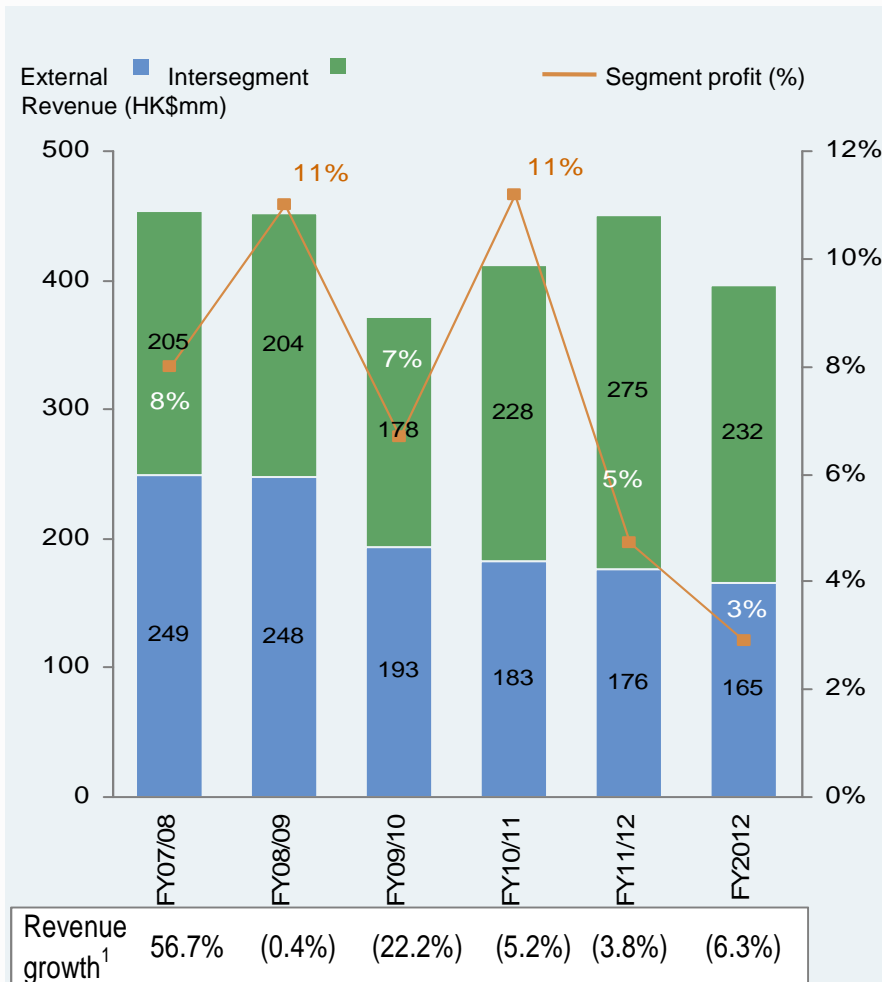


¹ Based on change in external sales

Segment financials – Paper trading

Revenue & Segment profit % (Six months ended 30 Sep)

Paper trading



¹ Based on change in external sales

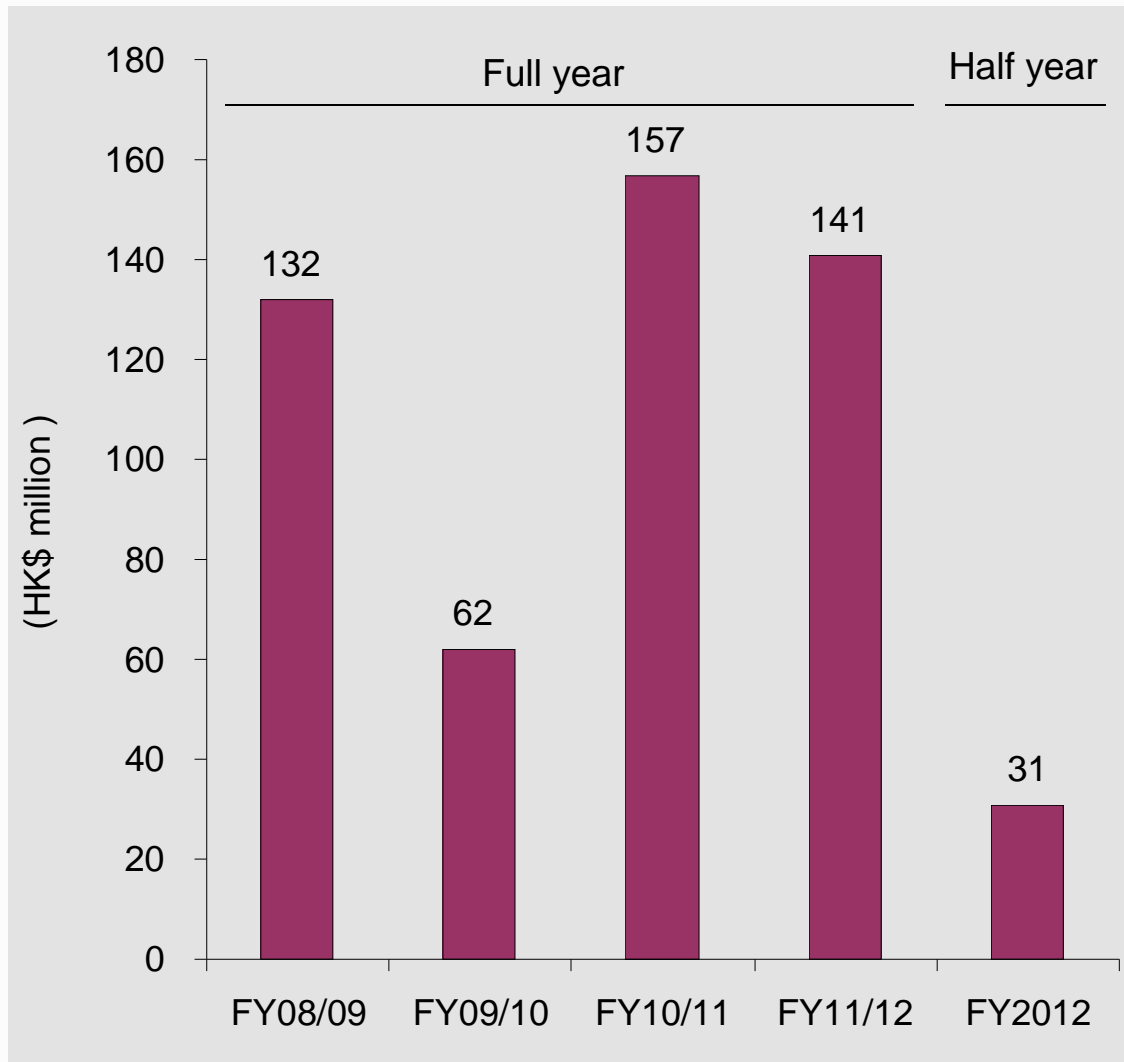
Commentary

- Revenue was affected by the slowdown in export activities in the Pearl River Delta
- The trend of softening paper prices in the first half coupled with reduced demand led to intensified price competition and lower profit margins for the business.
- Inventory flexibility to use internally or sell externally provides a natural raw material hedge mechanism that other printing companies do not have.
- Serves as centralised procurement of paper for internal use.
- Large volumes of paper purchased helped Hung Hing achieve more competitive pricing given bulk purchases.

Key Balance Sheet Items

HK\$ million	30 Sep 2012	31 Mar 2012	Change		%
Property, plant & equipment	1,329	1,366	(37)	↓	-3%
Inventories	646	711	(65)	↓	-9%
Inventories days	57	94			
Trade and bills receivables	930	648	282	↑	44%
AR days	82	91			
Cash	562	781	(219)	↓	-28%
Borrowings	428	530	(102)	↓	-19%
Short-term	151	216	(65)	↓	-30%
Long-term	277	314	(37)	↓	-12%
Trade and bills payables	191	224	(33)	↓	-15%

Capital Investment – business capability

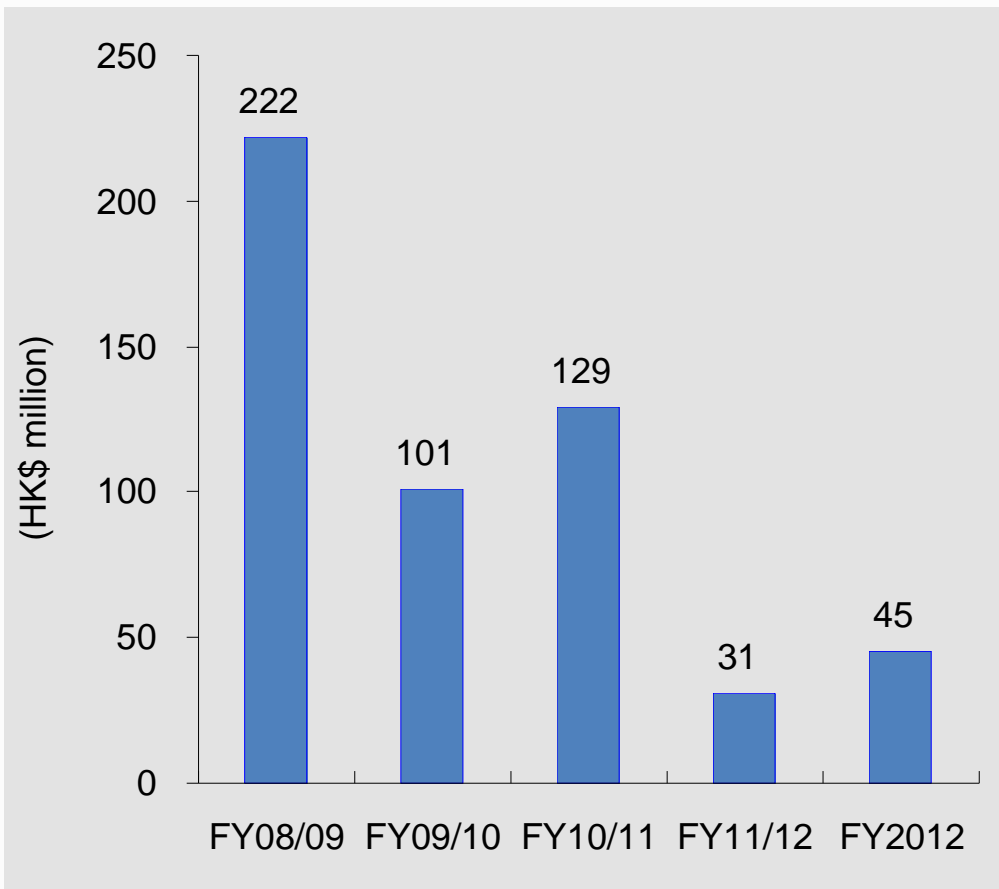


Commentary

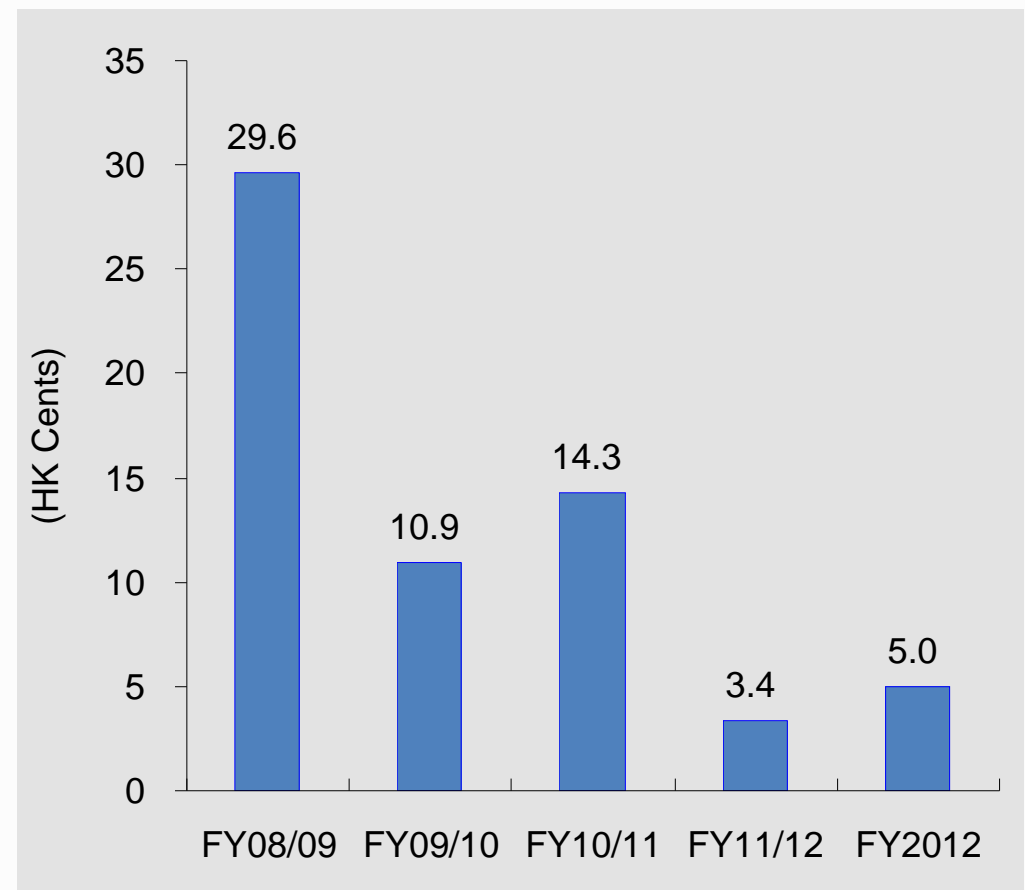
- We always believe advanced technology brings competitive advantage in terms of quality, timeliness and costs.
- We'll continue to invest in production equipment to help automation and improve labour efficiency.

Profit Attributable To Owners of the HHPG & Earnings Per Share

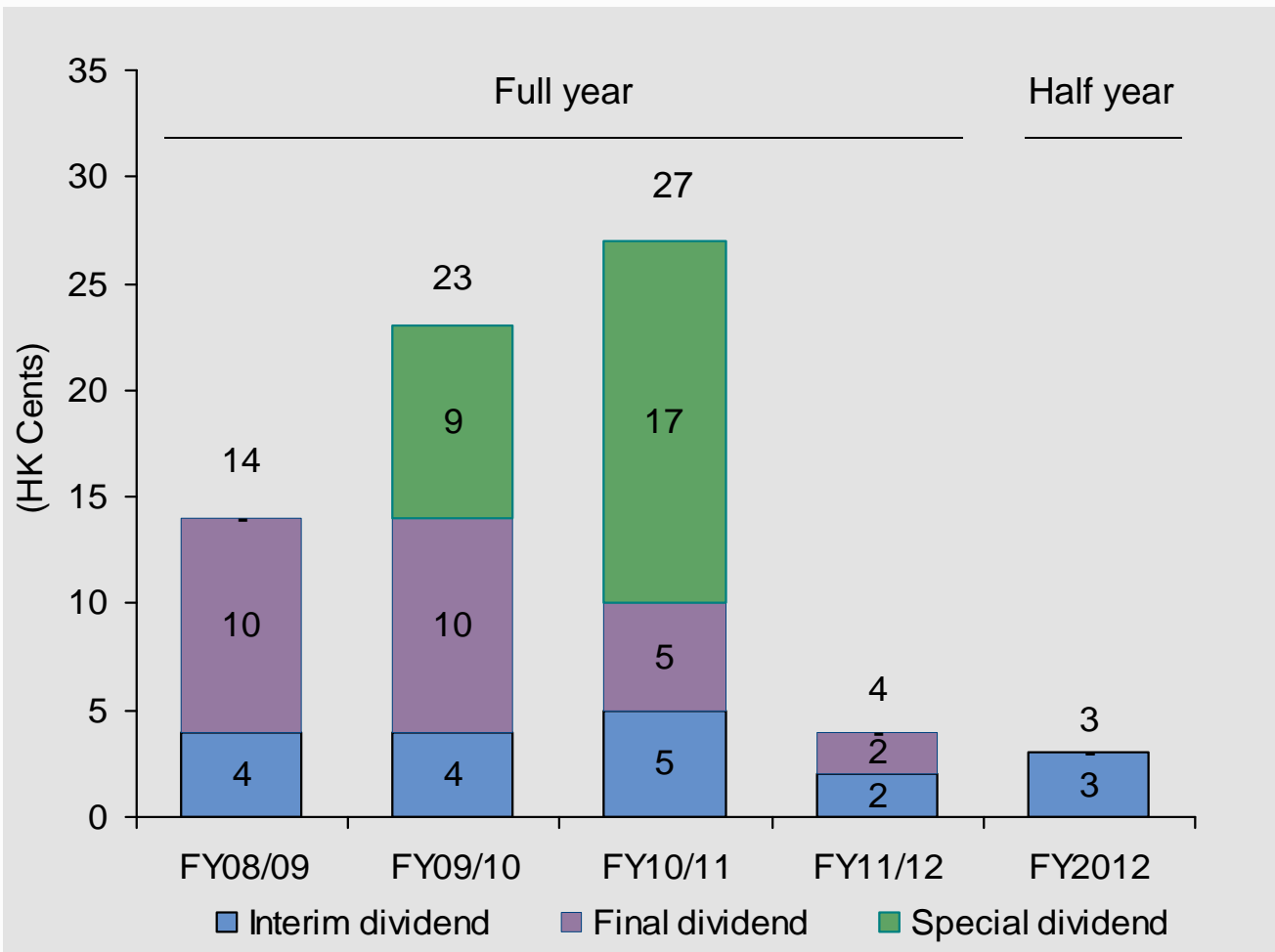
Profit attributable to Owners of HH Six months ended 30 Sep



Basic Earnings per share Six months ended 30 Sep



Proposed Dividends



Commentary

- Earnings per share HK 5cents (interim)
- Backed by the Group's strong cash flow and solid financial position, an interim dividend of HK 3 cents per shares was declared.

BelugaBloo – a new e-publishing service

- Natural extension to our core business in children's book printing
- Complementary and value-added service targeted for children's book publishers
- End-to-end e-publishing solution - design, built, marketing, distribution and support
- Major offering - Interactive e-books, educational applications and games
- Target segment – Toddlers, pre-schoolers and young children
- Cost-plus pricing and revenue sharing model
- Agreement with several prominent publishers and a child-friendly tablet manufacturer

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.