



鴻興印刷集團有限公司

# Hung Hing Printing Group Limited

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## PRESS RELEASE

### **Hung Hing announces annual results**

#### *Brings In New Investor to Facilitate Future Growth*

Hong Kong, 17 July 2008 – Hung Hing Printing Group Limited (HKSE: 450) today announced its annual results for the year ended 31 March 2008. The Group reported a 16% rise in revenue as a result of both continuing demand in mainland China for quality paper products, and concerted European marketing efforts. Revenue grew across all business divisions and geographic markets to a total of HK\$3,658 million.

Despite the strong revenue growth, macro-economic factors affecting the industry as a whole had an impact on the Group. High oil and material prices, the steadily appreciating Renminbi, and climbing labour costs increased the cost of sales, putting pressure on the Group's profit.

The Group's profit was further impacted by several one-off losses during the year under review. Additional interest charges relating to the early redemption of the Group's convertible bonds contributed to an increase in finance costs of 132% to HK\$143 million. Moreover, the fair value changes of both derivative financial instruments entered into by the Group and the Group's structured borrowings led to a loss of HK\$164 million. As a result of these exceptional losses, the Group recorded a loss for the year of HK\$3 million.

Group Chairman Mr YAM Cheong Hung said, "The operating environment during the year was challenging for everyone in the industry. We are pleased that, given the challenges faced, our business was able to continue to grow throughout the year. Despite the one-off losses, the Group's overall operational and financial position remains healthy."

Loss attributable to equity holders of the parent was HK\$18 million. Losses per share were HK3.0 cents. The Board of Directors is proposing a final dividend of HK1.0 cent per share.

During the year under review, Hung Hing recorded revenue growth in all business divisions. The corrugated carton market performed particularly well, as previously intense competition eased and the Group's strategy of focusing on higher-margin production helped increase revenue and operating profit by 10% and 84% respectively.

The paper trading division also recorded a satisfactory performance, capitalising on global paper price increases to record growth of 65% and 76% in revenue and operating profit. Aggressive marketing efforts, and greater sales of high-quality paper products, generated further revenue throughout the year.

The Group's largest division, paper and carton box printing and manufacturing, recorded revenue growth of 13%, largely driven by existing and new customers, primarily in Europe and China. Despite this growth, an additional bad debts provision of HK\$16 million, together with higher material and labour costs and depreciation charge related to the new Heshan plant, resulted in a decline in operating profit of 24%.

The paper manufacturing division achieved revenue growth of 11% as a result of prevailing paper price increases. However, high material and utility costs continued to put pressure on margins. The division was also required to pay additional VAT relating to previous years of approximately HK\$12 million, leading to a decline in operating profit of 65%.

### **New Investor to Facilitate Long-term Expansion**

As the current challenging economic environment drives continued consolidation within the industry, Mr Yam believes that new opportunities for strong, diversified operations such as Hung Hing will appear. To ensure that the Group is in the best position to capture such opportunities, Hung Hing entered into an agreement with a new investor in April 2008. The new investor, Asia Packaging Company Limited, is beneficially owned by investment funds advised by CVC Asia Pacific Limited, one of the leading private equity firms in Asia with a record of investing in high-quality printing, paper and packaging companies.

The transaction was completed in early July 2008. After acquiring 35% of the issued share capital of Hung Hing, Asia Packaging Company has become the Group's largest shareholder. The transaction brings net capital investment of approximately \$865 million and industry expertise in the form of four new directors to Hung Hing.

Mr Yam said, "We are pleased to welcome CVC as our strategic partner. This is an important, long-term strategic move that will allow us to transform our strong family business into a more international and competitive corporation, with high standards of corporate governance. We believe CVC's strong experience in the printing industry will benefit our long-term development as the trend for consolidation in the industry accelerates. The company will help us to capture opportunities in growing markets and allow us to further expand in the future."

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**About Hung Hing Printing Group Limited**

Hung Hing was established by Mr Yam Cheong Hung as a printing shop in 1950. Over the five decades that followed, the company has built operations in the printing and manufacture of paper and carton boxes, corrugated boards and corrugated cartons, paper manufacturing as well as paper trading. Headquartered in Taipo, Hong Kong, the company has five plants in China: four in the Guangdong province (Fuyong, Zhongshan and Heshan) and one in Wuxi (near Shanghai). Customers include brand name manufacturers from Japan, Europe and the United States, as well as from Hong Kong and China. The company has a workforce of over 16,000 people and was listed on The Stock Exchange of Hong Kong in 1992.

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Consolidated profit and loss table and business division analysis attached.

## Hung Hing Printing Group Limited

### Audited Consolidated Income Statement for the Year Ended 31 March

	2008 HK\$'000	2007 HK\$'000
Revenue	3,658,095	3,141,985
Cost of sales	<u>(3,082,621)</u>	<u>(2,523,810)</u>
Gross profit	575,474	618,175
Other income and gains	112,453	69,553
Distribution costs	(83,438)	(75,541)
Administrative and selling expenses	(265,332)	(242,832)
Other expenses	<u>(40,071)</u>	<u>(5,483)</u>
	299,086	363,872
Fair value gain on derivative component of convertible bonds	32,775	55,275
Fair value loss on derivative financial instruments not qualified as hedges, net	(157,473)	-
Finance costs	<u>(142,744)</u>	<u>(61,493)</u>
Profit before tax	31,644	357,654
Tax	<u>(35,039)</u>	<u>(50,123)</u>
Profit/(Loss) for the year	<u>(3,395)</u>	<u>307,531</u>
Attributable to:		
Equity holders of the parent	(17,799)	277,139
Minority interests	<u>14,404</u>	<u>30,392</u>
	<u>(3,395)</u>	<u>307,531</u>
Proposed final dividend per share	1 cent	20 cents
Earnings/(Loss) per share attributable to equity holders of the parent (basic)	(3.0) cents	46.1 cents

#### Business Division Analysis Table

	Segment Revenue			Segment Results		
	Sales to external customers	%	% change from 2007	2008 HK\$'000	%	% change from 2007
	2008 HK\$'000					
Paper and carton box printing & manufacturing	1,770,657	48%	+13%	159,100	53%	-24%
Paper manufacturing	830,173	23%	+11%	27,588	9%	-65%
Corrugated carton manufacturing	593,045	16%	+10%	45,490	15%	+84%
Paper trading	464,220	13%	+65%	62,519	21%	+76%
Eliminations	-	-	-	(59)	-	N/A
	<u>3,658,095</u>	<u>100%</u>	+16%	294,638	98%	-16%
Interest, dividend income and other gains				31,600	11%	-14%
Corporate and unallocated expenses				<u>(27,152)</u>	-9%	+18%
				<u>299,086</u>	<u>100%</u>	-18%