



鴻興印刷集團有限公司

Hung Hing Printing Group Limited

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PRESS RELEASE

Hung Hing announces 2009/10 interim results

*Prudent management helps Group weather effects of financial downturn,
grow operating profit for largest business unit*

Hong Kong, 21 December 2009—Hung Hing Printing Group Limited (HKSE: 450) today announced its interim results for the six months ended 30 September 2009. The Group saw revenues decline by 32% to HK\$1,503 million and operating profit decrease by 21% to HK\$151 million due to effects of the global financial crisis during the period under review.

Decreased demand and the falling price of paper—both of which were results of the economic downturn—had direct effects on the Group's performance. Exports from China also fell, impacting many of Hung Hing's customers and reducing sales for the offset printing and corrugated carton business units.

Profit for the period decreased by 52% to HK\$106 million. The reason for the larger drop compared to operating profit was mainly due to the exceptional item on fair value gain of HK\$103 million that was recognized from the termination of the Group's derivative financial instruments during the last period under review.

Group Managing Director Mr Matthew Yum said in anticipation of challenging times, the Group moved proactively to reduce costs and improve inventory control, which improved gross profit margins and helped Hung Hing's largest business unit, offset printing, achieve a 13% increase in operating profit. Distribution costs, administrative and selling, and other expenses were also lower during the period.

For the period under review, earnings per share decreased 63% to HK10.9 cents. Hung Hing's balance sheet remains healthy with a strong net cash position of HK\$679 million as of 30 September 2009. Due to the Group's solid financials, the Board of Directors has declared an interim dividend of HK4 cents per share.

The largest of the Group's five business units, offset printing, saw revenue decrease by 25% due to slower overseas demand, the weaker pound sterling and Euro as well as the economic uncertainty that prevailed in the first half of 2009. Domestic sales in China were also affected due to price competition. Hung Hing streamlined its operations and saved costs by optimizing warehousing space, carefully managing inventory, reducing overhead expenses and improving cost efficiency through enhanced production processes, achieving profit growth as a result.

The corrugated carton unit saw revenue and operating profit decline by 40% and 70% respectively as demand from export-oriented customers fell. Similarly, revenue and operating profit for the Zhongshan/ Wuxi packaging business were down 24% and 43% respectively as lower prices to domestic customers impacted business.

In June 2009 the Group entered into agreements to increase its equity interests in the three companies comprising its Zhongshan printing and packaging business, further strengthening its position as a leading print and packaging supplier.

The paper trading unit was cautious with credit risk during the period, a prudent approach that inevitably impacted margins. During the period revenue dropped 22% and operating profit declined 49%. The Group established a new paper trading subsidiary in China with approval to trade locally, greatly expanding the unit's potential in the China domestic market.

The paper manufacturing unit was impacted by lower paper prices due to oversupply and slower demand, recording an operating loss of HK\$3 million. In June 2009, the Group announced that it had entered into agreements to reduce its stake in the Zhongshan paper manufacturing plant from 59% to 31%, reducing exposure to this currently volatile business.

Mr Yum said, "Although the Group has already seen promising signs in the market, recovery is likely to be gradual and sporadic. Management is working to build stronger delivery capability for our customers while continuing to optimize and streamline the Group's business operations. These and other efforts will help Hung Hing by improving the quality of earnings in the near term and positioning the Group to benefit from the economic recovery and the growth potential of the China domestic packaging market."

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About Hung Hing Printing Group Limited

Since its establishment in 1950, Hung Hing Printing Group has built operations in the printing and manufacturing of paper and carton boxes, children's books and corrugated carton, and in the trading and manufacturing of paper. 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 12,000 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

Unaudited Consolidated Income Statement for the Period Ended 30 September

	2009 HK\$'000	2008 HK\$'000
Revenue	1,502,712	2,207,706
Cost of sales	<u>(1,194,068)</u>	<u>(1,827,248)</u>
Gross profit	308,644	380,458
Other income and gains	12,239	38,398
Distribution costs	(34,359)	(50,194)
Administrative and selling expenses	(133,862)	(156,505)
Other expenses	<u>(1,797)</u>	<u>(22,446)</u>
	150,865	189,711
Fair value gain on derivative financial instruments not qualified as hedges, net	123	103,422
Finance costs	(10,507)	(43,968)
Share of losses of an associate	<u>(1,897)</u>	<u>(213)</u>
Profit before tax	138,584	248,952
Tax	<u>(32,244)</u>	<u>(27,295)</u>
Profit for the period	<u><u>106,340</u></u>	<u><u>221,657</u></u>
Attributable to:		
Equity holders of the parent	100,942	221,890
Minority interests	<u>5,398</u>	<u>(233)</u>
	<u><u>106,340</u></u>	<u><u>221,657</u></u>
Interim dividend per share	4.0 cents	4.0 cents
Earnings per share attributable to equity holders of the parent (basic)	10.9 cents	29.6 cents

Business Division Analysis Table

	Segment Revenue			Segment Results		
	Sales to external customers					
	2009 HK\$'000	%	% change from 2008	2009 HK\$'000	%	% change from 2008
Offset printing	681,954	45%	-25%	98,144	65%	+13%
Corrugated carton	122,873	8%	-40%	17,244	11%	-70%
Zhongshan/Wuxi packaging	322,779	22%	-24%	23,372	16%	-43%
Paper trading	192,884	13%	-22%	24,748	16%	-49%
Paper manufacturing	182,222	12%	-57%	(2,920)	-2%	-92%
Eliminations	-	-	-	(622)	0%	N/A
	<u>1,502,712</u>	<u>100%</u>	-32%	159,966	106%	-20%
Interest, dividend income and other gains				6,183	4%	-60%
Corporate and unallocated expenses				<u>(15,284)</u>	-10%	-42%
				150,865	<u>100%</u>	-21%
Fair value gain on derivative financial instruments not qualified as hedges, net				123		
Finance costs				(10,507)		
Share of losses of an associate				<u>(1,897)</u>		
Profit before tax				138,584		
Tax				<u>(32,244)</u>		
Profit for the period				<u><u>106,340</u></u>		