



鴻興印刷集團有限公司

Hung Hing Printing Group Limited

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Press Release

Hung Hing achieves 27% growth in turnover

Hong Kong, 7 July 2006 --- Hung Hing Printing Group Limited (SEHK: 450) took advantage of the continuous improvement in the global economy and a diversified customer base to increase its turnover by 27% to HK\$2,957 million for the year ended 31 March 2006. Operating profits increased by 11% to HK\$350 million.

The turnover growth was also significantly driven by the inclusion of the full-year sales of the two paper manufacturing companies in Zhongshan following the increase of the Group's stake in them.

In order to strategically prepare for continuing growth and to consolidate Hung Hing's market position, the Group issued HK\$750 million five-year zero coupon convertible bonds (CB) in March 2006.

According to Chairman YAM Cheong Hung, the capital raised through the CB issue will give the Group the flexibility to expand and manage its financial strategy in order to take best advantage of market conditions.

On the other hand, the Group has had to include HK\$4.7 million associated with the CB issue into other expenses under the new accounting rules stipulated in the Hong Kong Financial Reporting Standards (HKFRS), which impacted the profit of the Group. This amount comprised HK\$2.9 million as part of the CB issue charge, and HK\$1.8 million as an adjustment in the fair value of the derivation portion of the bond.

Labour costs in southern China also increased significantly during the year. Worldwide adjustments in oil prices continued, resulting in higher transportation and raw materials costs.

Despite these factors the Group successfully diversified its customer base and product range to achieve the 11% increase in operating profits. Earnings per share increased to HK42.5 cents from HK41.9 cents the year before.

The Board of Directors is proposing a final dividend of HK20 cents per share, bringing total dividends for the year to HK29.5 cents per share.

Mr. Yam said that the Group had recorded turnover increases in all its export markets, especially UK, Germany and the US, during the year. The mainland China market demonstrated particularly strong performance, accounting for an increase in sales of 42%.

The Group's largest division, the printing and carton box manufacturing division, expanded its product range as well as customer base. Despite pressure on margins due to intense competition and labour cost increases, the division achieved 9% growth in turnover and 5% in operating profit.

The paper trading division also diversified its product offerings and customer base to increase turnover and operating profit by 18% and 11% respectively.

The corrugated carton manufacturing division maintained its business volumes, but intense competition and pricing pressure caused a decline of 3% in revenues and 18% in operating profit.

As a result of the full-year sales consolidation of the two Zhongshan paper manufacturing companies following the acquisition, the paper manufacturing division recorded a significant turnover increase of 310%.

"The division's strong performance has validated our decision to acquire the two paper manufacturing companies," commented Mr Yam. "With a continuing focus on ongoing enhancement of the management team, operating efficiencies and paper quality, we expect that this division will continue to contribute significantly to the Group's performance."

"In the coming year, we will strengthen our focus on higher-margin business and aggressive marketing in overseas markets. Through strategic capacity expansion as well as the additional liquidity provided by our convertible bond issue, we are well poised to meet increased demand," Mr Yam concluded.

About the 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 U.S.A., as well as from Hong Kong and China. The company has a workforce of over 15,000 people and was listed on The Stock Exchange of Hong Kong in 1992.

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Consolidated income statement and business division analysis attached.

Hung Hing Printing Group Limited

Audited Consolidated Income Statement for the Year Ended 31 March

	2006 HK\$'000	2005 HK\$'000 (Restated)
Revenue	2,956,885	2,327,393
Cost of sales	<u>(2,337,515)</u>	<u>(1,793,882)</u>
Gross profit	619,370	533,511
Other income and gains	36,309	42,337
Distribution costs	(70,942)	(65,859)
Administrative and selling expenses	(225,979)	(193,514)
Other expenses	<u>(8,880)</u>	<u>(1,880)</u>
Profit from operating activities	349,878	314,595
Finance costs	(28,247)	(12,203)
Share of profits and losses of associates	-	4,756
Profit before tax	321,631	307,148
Tax	<u>(45,540)</u>	<u>(44,096)</u>
Profit for the year	<u>276,091</u>	<u>263,052</u>
Attributable to:		
Equity holders of the parent	248,891	240,281
Minority interests	<u>27,200</u>	<u>22,771</u>
	<u>276,091</u>	<u>263,052</u>
Proposed final dividend per share	20 cents	20 cents
Earnings per share attributable to ordinary equity holders of the parent (basic)	42.5 cents	41.9 cents

Business Division Analysis Table

	Segment Revenue			Segment Results		
	Sales to external customers 2006 HK\$'000	%	% change from 2005	2006 HK\$'000	%	% change from 2005
Paper and carton box printing & manufacturing	1,556,040	53%	+9%	255,247	73%	+5%
Paper trading	269,544	9%	+18%	27,266	8%	+11%
Corrugated carton manufacturing	493,269	17%	-3%	25,721	7%	-18%
Paper manufacturing	638,032	22%	+310%	55,839	16%	+392%
Eliminations	-	-	-	208	-	N/A
	<u>2,956,885</u>	<u>100%</u>	+27%	364,281	104%	+17%
Interest, dividend income and other gains				11,492	3%	-49%
Corporate and unallocated expenses				<u>(25,895)</u>	-7%	+33%
Profit from operating activities				<u>349,878</u>	<u>100%</u>	+11%